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ABSTRACT

The report presents a strategy developed by an outside research group for the manpower administration which would: (1) identify and organize the questions facing the U.S. Employment Service (ES), (2) set priorities among the questions, and (3) outline alternative approaches for answering the questions. The study was undertaken in order to clarify the role of the employment service. Most of the data were collected via visits to State and regional employment service offices. A process of problem identification was conducted in several stages. The main issue discovered during the fieldwork phase was that of setting objectives for the ES. A systematic framework encompassing the four categories of objectives, ES operational activities or services, organization and management, and the labor market in which ES operates was developed. An agenda for further research and development (R and D) activities including performance management, counseling, and intensive services studies is proposed. Four R and D options are described for achieving the goals of developing a clear statement of ES objectives and an operating model of an effectively performing system. Finally, potential problems in managing such an effort are presented. (LJ)

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AN EMPLOYMENT SERVICE RESEARCH AND DEVELOPMENT STRATEGY

By

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VT-102-498

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An Employment Service Research and Development Strategy states the most pressing problems facing the Manpower Administration and the U.S. Employment Service (ES). The report then describes a general model for analyzing the role of the ES in the labor market and evaluating the effectiveness of service and activity, and organization and management variables in enabling the ES to meet its objectives. The report then describes an agenda of research activities to assist the ES in solving its major problems. Finally, the report presents four options, reflecting different assumptions about priority research needs, for conducting research over the period of approximately 1974-1975 to 1978-1979.

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CHAPTER I

INTRODUCTION

Public Employment Offices have been an American social institution for over a century, and a federally supported institution for the past four decades. During the period of federal support, the Public Employment Service was charged with a variety of missions. During World War II it was the federal government's manpower resource allocation agency. In the sixties it was relied upon as the presumptive supplier of manpower services for the categorical manpower programs. Later, it was charged with emphasizing services to the disadvantaged.

Its performance, however, has been and is being criticized by many observers from many points of view. Spokesmen for the disadvantaged have charged that it has been ineffective for their clientele, while others have asked if anyone is benefiting from the service. At the same time there are those who want to expand, or at least re-direct the agency toward a broader community service role and others still, who would have the service concentrate on placing the largest number of workers at the lowest cost.

Finding themselves at the center of a national debate over the ES mission, effectiveness, funding level, even its very existence, the manpower administration found it could not adequately answer the questions being asked, despite the volumes of data collected.

In response to this need, it was proposed that a strategy be developed which would identify and organize the questions facing the ES, to set priorities among the questions and to sketch out alternative approaches for answering the questions. Such a strategy would provide a basis, not only for planning future research activities by the Manpower Administration, but also for coordinating and evaluating research findings.

The following pages present the results of an experimental effort, by an outside research group, to develop such a strategy.

CHAPTER II

METHODOLOGY

The authors' intent was that the research and development strategy would be a planning document based upon substantial fieldwork. Rather than being simply a survey of field opinions, these would be synthesized, alternatives identified and priorities assigned. We did not, at the outset of the study, have a detailed methodological plan other than a general statement of man-days to be spent in fieldwork and the number and types of agencies and organizations to be contacted. Our intention was to remain as open and responsive as possible to differing perspectives both inside and outside of the ES system.

Such an approach puts a heavy reliance on the judgment and insight of the researchers and requires a careful documentation of how their conclusions were reached to assure the reader of the objectivity of the report. The purpose of this section is to describe the procedures followed in gathering and analyzing the field data.

Fieldwork

1. Initial Problem Identification

A series of discussions were held in Washington, D.C., with policy level and technical staff in the Manpower Administration concerned with ES, with the Office of the Assistant Secretary for Program Evaluation and Review, with the Office of Management and Budget and with the staff of Interstate Conference of Employment Security Agencies. These discussions centered on the current concerns about the ES, some of the problems and unknowns from the national perspective and on the usefulness of prior research related to the ES. Based upon these discussions some general observations about the types of concerns expected to be found in states were developed.

2. Initial State and Regional Office Visits

The Connecticut and Texas Employment Services were selected, largely on the basis of their differences in size and industrial makeup, for initial field visits. In the course of these visits, the Agency Directors, ES Chiefs, Budget Chiefs. Chiefs of Research and selected other central office staff were interviewed following a semi-structured question schedule. One day visits were made to several local offices in each state where operations were observed and unstructured discussions were held with the manager, placement interviewers, counselors and clerical staff. A general summary of findings from these visits was circulated for comment in the Manpower Administration.

3. Further Problem Identification

A second round of discussions was held in Washington, D.C. Implications of the initial state visits were discussed with the MA staff, as were criteria for selecting states for the next round of field visits. Additionally, discussions were held with client organizations and congressional staff interested in the future of the ES.

4. Selection of Additional States for Fieldwork

The guiding principal in selecting additional states for visiting was to cover the widest possible range of differences in state operations. We therefore took into consideration factors that we thought might affect operations. These were: population, type of industrial activity, unemployment and job growth rates, geographic location and agency productivity as measured by placements per man year. We also took into consideration observations from MS staff about which states they believed had effective management, which had good counseling programs, which had a strong placement orientation, and which provided extensive services for the disadvantaged. (It should be noted that our field observations did not always concur with those of the MA National Office as to the state's program emphasis.) Finally, we also took into consideration some locales where experimental programs or technologies, such as computer job matching, or provision of self help labor market information, were being tested. The sample of states, therefore, was not random, but purposely constructed so as to cover a range of operating models. The states visited were California, Colorado, Mississippi, Ohio and Wisconsin.

5. Selection of Local Offices Within States

Access to local offices depended upon state office cooperation, which was always forthcoming. It was assumed, however, that offices recommended by the state staff would usually turn out to be exemplary offices in one way or another (and indeed they often were). To offset any possible bias from this source, after a visit to a state selected office had been made, another office, usually in the same labor market area, or under the same district supervisor, would be identified by the field analyst and visited. In some cases procedure produced sharp contrasts to the exemplary office.

6. Regional Offices

The respective regional office for each state visited was contacted and in three cases extensive interviews conducted. Appendix A contains a list of all sites visited.

7. Field Visit Procedures

For the state and regional office visits, following the initial round, a detailed schedule was followed. (See Appendix B.) The schedule set forth the number and types of individuals to be contacted and the questions to be answered through interviews and in the case of some local office operations, through observations of processes.

Analysis

1. Problem Identification

The initial step in organizing the mass of field data was to develop descriptive statements of state objectives, operations and problems. The problems identified, and the differences between states, even between local offices within states, in terms of objectives, patterns of resource allocation, operations, perceived needs and services provided, posed questions that could not be answered with available data on the ES. To identify the needed data, we stated these questions as researchable hypotheses which could be tested if appropriate data were collected.

2. Analytical Framework

We could have proceeded at this point to specific research activities based upon these hypotheses. We did not, however, because this approach did not appear to deal with two important issues. First, most of the hypotheses were centered around the issues of operating the ES more efficiently or improving particular service approaches. It is not clear how research on these specifics could shed light on the question of the role of the ES in society--whether it is needed at all, and if so, at what price, and finally, are there alternative mechanisms that could fill these social needs? Secondly, we recognized that there already were research studies completed and underway which could shed light on some of these questions. The fact that findings and implications of these various research activities were largely unknown, even within the ES, suggested to us that key requirements for an effective R&D program were a framework for analyzing the ES and some organizational focus within the MA on ES research which would coordinate and communicate research activities and findings and expand the analytical framework.

We therefore undertook to construct a framework or model which related the Employment Service and its internal behavior to the external environment in which it operates. Subsequent chapters describe the development of this framework. We then undertook to discuss the implications of this framework with,

and solicit input from technical and policy staff at the MA during a third round of visits to D.C.

3. Identification of Research Activities

The analytical framework, though necessarily general, was developed to the point where categories of variables both internal and external were specified. Research questions then were cross-classified by these variables. Current and already completed research activities were then assigned to categories within this schema. The gaps in knowledge then suggested the direction for new research activities.

Chapter III discusses the problems of the ES as a foundation for the analytical framework presented in Chapter IV. Chapter V proposes a set of new research activities and Chapter VI presents four alternative arrangements of research and development priorities. Chapter VI also proposes some organizational conditions for carrying out the research and development.

CHAPTER III

CURRENT ISSUES IN THE EMPLOYMENT SERVICE SYSTEM

The Debate Over Objectives

Precisely defining its objectives is widely seen as the key issue currently facing the ES. While some say that "placement" is the objective of the ES, the Fiscal Year 1974-75 Balanced Placement Formula (BPF), with its allowances for other services, indicated a broader conception of the agency's role. Viewing the question of objectives from the perspective of actual state operations makes clear that the issue cannot nearly be settled by the singular placement concept. The Balanced Placement Formula is also too narrow to encompass current operating realities.

The issue of objectives has several dimensions:

1. Multiple Objectives

There are multiple objectives which come from a variety of sources. Some objectives are explicit, often reflecting legal mandates. Others are implicit in operations and may reflect local customs and practices or differences in labor market conditions.

2. Variations in Objectives

Objectives vary from state to state. For example, some states accepted only minimally the concept of service to the disadvantaged promulgated in the late 1960's and accordingly these states made little or no accommodation to that objective. Some states which did adjust operations to meet that objective have quickly abandoned their efforts. Other states altered their operations substantially and are trying to continue a meaningful program directed to serving the disadvantaged. While most states appear to be cutting back their efforts to serve the disadvantaged, one, in response to a law suit, is busy increasing its services for the disadvantaged.

The work test offers another important illustration. It represents an important general activity of the ES. But, from state to state the nature and impact of the work test varies greatly. In some states the Unemployment Insurance or welfare laws or both may impose extensive responsibilities on the ES. In one state we visited, the state laws, coupled with relatively high unemployment, have imposed an almost overwhelming burden on the state agency. To us, the work test appeared to be the most important objective of the ES in that state.

3. Lack of Information about Accomplishment of Objectives

Little is known about how well the ES achieves its objectives. Placement accomplishment is easy to measure and this may account for its popularity. Other objectives, such as achieving equity in the distribution of job opportunities, have never been well defined or measured.

Part of the explanation for having so little information on the impact of the ES seems to us to lie in the absence of any clear statement of those objectives which could have served as the basis for study over the years. Another part of the explanation undoubtedly lies in the absence of any incentive to develop the information.

4. Conflict Between Objectives

There are conflicts between objectives. Among the many available examples, several stand out. The work test, especially as applied to welfare and food stamp recipients, is widely felt to create a negative public and employer image and thereby conflicts with maximizing placements to achieve other objectives. As another illustration, efforts to achieve equity in the labor market, such as following up worker complaints and helping eliminate discrimination against minority groups and women, also conflict with making placements by requiring the agency to carry out a policing role.

5. Change in the Emphasis Among Objectives

Among all concerns about the role and objectives of the Employment Service, one represents an almost universal plea from state to state and local office staff: settle the issue and give us a stable base for operations. Most people interviewed saw the BPF as at least a step toward such a stable definition of the ES role. It should also be noted that it is very much an ad hoc formulation, developed by technicians under increasing pressure to provide something better than the pure placement standard.

At the heart of the problem of instability seems to us to lie the proposition that the pace of change in the past few years has far outpaced the necessary related changes in planning, budgeting, evaluation, service delivery, supervision and reporting systems. For example, quite different evaluative criteria are implied by different objectives and development of new evaluative criteria and procedures is very time consuming and costly. When intensive service to the disadvantaged was the primary objective, the only evaluative criteria available was placement, even though as staff in one state agency in particular argued, a very different evaluative criteria was implied.

Another example, the Comprehensive Office Model (COMO) experiment postulated substantial gains in productivity through changes in registration and other operating policies. The Employment Security Automated Reporting System (ESARS) which was in-

stalled at about the same time was based upon a different set of assumptions about registration policy. It appears clear that ESARS, which required several years of development, was based upon an earlier conception of the agency. In the intervening period the ES went in a contradictory direction to its emerging reporting system.

The overall consequence of rapid shifts in objectives has been to leave the agency almost continuously in a position where its performance is far below the maximum which might be achieved.

Is There a Clear Labor Market Role?

After the concern about objectives, we find that the second most important issue for ES policy and program development is the absence of a clear understanding of the roles played by the agency in different labor markets. We have not found any general assessment of these roles. As a result there are no generally agreed on labor market characterizations which could describe what seems to us to be obviously different roles in obviously different labor markets.

Our finding seems a paradox since there has been substantial labor market data collection and some important concepts, like the dual labor market theory, have been developed as a result of R&D investment. Moreover, many state and local office staff know a great deal about their local labor markets.

The answer to the paradox seems to lie in the absence of a research effort related to the ES which might have identified the different kinds of markets and the different kinds of roles played by the ES. Large scale labor market information systems do exist, of course, and much of the work is performed by research and statistics staff of the state agencies. But, as part of the paradox, this capability has never been harnessed to analyze and evaluate ES operations.

Is ES a National System?

The ES appears to be caught in a contradictory position. Perhaps in response to its current budgetary pressures, the MA indicates it wants the ES to become a uniform national system. Work is underway to develop a uniform set of objectives. Work is also underway to develop model operating tools, as in the computer field, and model organization plans and cost standards.

But CETA, as one of the other large manpower efforts, obviously represents a shift toward more local program direction. The ES, in general, wants very much to be a part of the local effort. The national direction on the ES therefore seems to contradict the direction on CETA.

From our fieldwork, we expect that CETA will lead the governors and locally elected officials to take greater interest

in the ES than before. For many states this will mean the first real interest because the ES, in contrast to Unemployment Insurance, normally has been thoroughly ignored by elected state and local officials. We expect that these state and local concerns will put greater pressure on the agency for substantial decentralization and development of programs designed to meet unique local needs.

The contradiction between the ES direction and CETA is compounded further by the recently announced intention of the Manpower Administration to shift from writing a standard prescription for the WIN program to acting as consultants to state ES agencies on WIN.

The important research and policy questions are: are the ES objectives and capabilities primarily national or state-local in character? Are national objectives best accomplished through adaptation to local labor market conditions or through operatons which reflect national models and standards? Suppose the ES really has something like equal proportions of national objectives and state-local objectives, what should be the areas of uniformity and the areas of state-local discretion? What kind of management systems are needed to mesh these divergent objectives?

How Effective are Individual Services?

The uncertainties about the ES contributions to social and economic policy reflect the unknowns about the value of individual services. Of the post World War II six point ES program, Employment Counseling and Labor Market Information are least understood. Placement has at least had an output indicator. But for the other services, the social and economic value have remained largely obscured.

Overall assessment of the role of the ES must lead to assessment of its component service activities. The budget pressures have forced the states and the national office to begin evaluating the component services. Evaluation, however, has been largely limited to assessing their impacts on placement efficiency. The broader objectives of the ES, to which counseling and other activities contribute, have not yet been addressed. One state visited had a draft design for a study of the broader consequences of employment counseling.

Beyond the current budgetary pressures, we expect that CETA will sooner or later become a source of pressure on the ES to evaluate the value and effectiveness of its component activities. These activities are being offered for sale to CETA sponsors and the buyers are eventually going to discover that the ES itself cannot demonstrate the value of the activities.

Our impression from field observations is that gaining a useful understanding of the meaning and value of individual service activities will require large scale, long term experimental

designs. Currently, service activities vary so greatly from one state to another and are so vulnerable to shifting budgets that little could be learned about activities like counseling and labor market information delivery without developing careful operational definitions of the services and protecting staff from disruptions due to budget problems.

Relationship of Research to Operations

It is not surprising to find that analysis of ES operations is limited, because the ES system lacks an appropriate analytical structure. An analytical structure which related people, concepts, and data systems through communication network and analytical tools would have produced a better understanding of the role of the ES in the labor market and the value of its services.

The problem of the relationship of research to operations has several dimensions:

1. There has been no general analytical structure, which relates ES performance to the labor market, which could have guided R&D efforts over the years. We found that before we could begin the task of identifying future research priorities we had to construct such an analytical structure.

2. The established labor market data collection and analysis system is focused primarily upon identifying employment trends by industrial sector and the volume of total unemployment by small area rather than analyzing current labor supply and demand conditions in occupational terms.

3. Further, neither the labor market nor the management data systems have been thoroughly analyzed to learn what is possible from them. This issue illustrates another problem--lack of inter-organization linkage--because the reports and analysis staffs of the state agencies operate several of the more important data systems which could be useful in understanding the role of the ES. The reports and analysis units are isolated from line operations.

4. There has been no substantial, long term research and evaluation effort directed to the ES. Most research and evaluation has been funded from MDTA sources and has focused on general manpower program issues.

5. There is no effective linkage on research and development between the ES operations at the state and local level and the regional and national offices of DOL. Such a linkage would serve to define R&D issues in a way in which study of them would be useful to line operators. Now, state and regional office staff do not feel that R&D has been useful to them.

Though the gaps between operations and research have been frequently decried we were surprised to find the gulf to be so

universal, wide and deep. There are some obvious reasons for this condition. The time perspective sharply varies from the operators "daily crises" to the researchers long run. The perception of the important issues is strongly colored by this time dimension. Overall, each's ability to articulate research needs and research findings in terms of the other's perspective is lacking. Truly the two do live in different worlds. We have sought for ways of bridging this gap, for means of establishing communication between disparate modes of perception and thought, and for ways of establishing legitimacy for an operation-based research. What we have called linkages offers a part of the answer. Another part may come from a conscious effort to build a learning mechanism into the system.

Funding: How and How Much?

The most conspicuously difficult problem for the ES during the period we were in the field has been the relative decline in Federal support. Although in some states the dollar amounts of Federal grants had not declined, rising costs, salaries, rent, retirement pay obligations meant that most states had to cut back on ES direct staff and hence ES services. This, coupled with the loss of MDTA positions and the pressures on ES from a rising UI workload caused most state directors to view ES resources as extremely tight. Yet related to this problem is one almost as important, the annual intense uncertainty over how much support there will finally be each year. The states are subject to an unending series of budget adjustments. Some states, even though they might already have suffered a 10-20 percent annual budget cut, will still end the year with unused staff funds. They have been so uncertain about what they would eventually be given for the year they were unable to plan for full use of the funds.

CHAPTER IV

A FRAMEWORK FOR ANALYZING THE EMPLOYMENT SERVICE SYSTEM

The purpose of this section is to present a systematic way of looking at the Employment Service in action. The various objectives of ES, the type of operational activities or services carried on in local offices, the management and organizational structure of the system, and the labor market in which it operates, interact and affect the outcomes of the service. Within each of these broad areas there are a number of factors or variables which can be quantified. This analytical framework permits the assembling of what is already known about ES performance, the hypothesizing of relationships as yet untested among the variables and the identification of areas in which research is needed.

Accordingly this analysis is divided into four categories: (a) objectives; (b) ES operational activities or "services"; (c) organization and management; and (d) the labor market in which the ES operates.

Objectives

The key issue identified in the course of the fieldwork concerned objectives. There was lack of clarity in definition, conflicts among multiple objectives and difficulties in measuring accomplishments in meeting objectives.

Several efforts have been undertaken recently within the Manpower Administration to shed some light on the problem of ES objectives. One of these produces a compilation of laws, regulations and court orders which affected the ES. Another examined the services which historically had been provided since the beginning of the Wagner-Peyser period. In this study inferences about objectives were drawn from the legal mandates and past operational patterns. These inferred objectives consisted primarily of statements of types of services to be provided to various identified sectors of society (e.g., to provide counseling to veterans).

Still other studies both from within government and without, have proceeded from a priori assumptions about an economic role for the ES to a set of inferred objectives for the ES which are expected economic outcomes (e.g., to increase the efficiency of the market by reducing the duration of frictional unemployment).

This array of statements of potential objectives poses a dilemma for the researcher or planner, just as it has for the administrators of the ES. All are trained in the tradition of proceeding in an orderly and linear fashion from objectives to

measurable outcomes as part of an exercise called evaluation. The ES system in operation defies such neat categorization. What are the sources of the objectives? Is federal law and policy the only source? To what are the objectives directed; to economic goals, or to broader social concerns? Is an objective only that which can be stated explicitly?

It is clear that the current ES encompasses objectives from more sources than federal laws, regulations or court orders, despite the fact that it is fully federally funded. Because the system is operated by states it is possible for states to influence policy direction although they may not choose to do so. Insofar as local agencies are permitted, and even encouraged, to contract for services under CETA legislation, political jurisdiction below the state level also have an influence on ES objectives.

It has been our observation that, when viewed from its perspective of the local office, there are many factors in addition to federal mandates affecting ES objectives. These include employers, clients, farm bureaus, industrial relations departments, organized labor, many government agencies at all levels, including schools, welfare departments, and by no means least of all, ES management and staff. Paradoxically, the influence of state legislatures appears to be minimal.

Many of the policy and program analysts engaged in the current debates over the role of ES have assumed that this role must be stated in economic terms. To do so has the highly attractive feature of permitting many kinds of comparisons--among programs, states, time periods, clientele--with the common denominator of dollar amounts.

Such comparisons have not been an ingredient in past program decisions and they will not be an ingredient in many future decisions on the same issues. The decision to require mandatory listing of job orders for veterans with ES, for example, was based not upon cost-benefit analysis, but upon a quick and nervous reflection over the volume of unemployed veterans from Vietnam.

Non-economic objectives, while lacking a common denominator of dollar cost and dollar benefit, are usually quantifiable. They may be of overriding importance, as in, for example, the case of national emergencies. We therefore cannot neglect non-economic objectives, but rather regard them as a separable issue.

While accepting a category for non-economic objectives, we must reject the notion that providing <u>services</u> such as counseling or labor market information can properly be regarded as objectives of the ES. We hold these to be inputs, or instrumentalities, which are means of achieving an objective, whether economic or

otherwise. But it is important to recognize that some of the objectives of ES grow out of the many requirements in law that the ES provide specific services, such as counseling. In enacting the laws, the Congress probably had an idea of the objectives they intended for the ES, but specified the services to be provided which they believed would fulfill those objectives rather than stating the objectives themselves. To discover these intended objectives, one must study the services and from their operation infer the objectives.

To encompass as broad a range of views as possible within our analytical purview, we turned to the methodology of structural-functional analysis. This involved analyzing our field data so as to identify categories of organizational behavior which entailed a definite set of procedures in response to specific situations which recurred regularly, in most, if not all locations, which were mutually exclusive, and for which a social objective, either economic or non-economic, could be inferred. These categories form one of the primary units of analysis in our analytical framework.

The categories which we identified we have labeled (1) Labor Exchange, (2) Preferential Treatment, (3) Work Test, (4) Community Benefits, (5) Enforcement, and (6) Employer Benefits.

Table 1 shows these categories along with a list of objectives, both national and local, economic and non-economic.

The following sections present a discussion of these functions.

1. Labor Exchange

Bringing workers and job together has traditionally been regarded as the key function of the ES. This function may involve the classic placement activities of order taking, screening applicants to employer specifications, referral and verification of placement. The function may also occur through provision of information by ES to job seekers which results in their obtaining employment. In such cases there are no official placements and the outcomes are not recorded by the ES data system.

Historically, the objective of the labor exchange was held to be that of protecting jobless workers from excessive fee charging by private placement agencies by providing a free alternative source of jobs.

More recently, economic theorists have postulated that efficient matching ought to have the effect of reducing the duration of unfilled job openings by reducing the time spent in job search. This would have the effect of raising net national output and possibly reducing inflationary pressures. The labor exchange function may also lead to greater productivity, by providing a better

Table 1 EMPLOYMENT SERVICE OBJECTIVES

Category	Description	National Objectives		Local Objectives (where different from national)
		Economic	Other	
1. Labor Exchange	Bringing workers and jobs together through placement or provision of information; may involve changing the character of labor supply or demand through counseling, job restructuring or identification of training needs	Increase labor market efficiency by reducing duration of job vacancies and frictional unemployment, reducing structural unemployment, improving worker and plant resource utilization, increasing output without increasing inflationary pressure	Protect workers from exploitation; provide a national network for responding to emergencies	Stabilize community or promote growth, raise local per capita income
2. Preferential Treatment	Providing preference in job assistance to specified target groups; e.g., veterans, minorities	Increase equity in the labor market by redistributing job opportunities	Reduce social disorganization	
3. Work Test	Testing initial and continued eligibility for UI, AFDC, Food Stamp and other income maintenance program by registration and referral	Improve the accuracy of eligibility determinations thereby reducing public cost for income maintenance, increasing labor supply, and reducing labor cost	Maintain work ethic, prevent fraud and malingering	
4. Community Benefits	Providing additional resources to communities which are responsive to local needs	Transfer (subsidy) to communities	Decentralize decision making	Same as above
5. Enforcement	Carrying out various mandated enforcement activities, such as inspection of farm workers housing	Prevent labor surpluses	Worker protection, maintain decent living conditions	
6. Employer Benefits	Reducing employer costs by screening recruitment and other services which would otherwise be a cost to the employer			Same as above

match, than would occur with workers finding jobs on their own.

The current measures of labor exchange performance are the number of individuals placed or the total number of placements. To our knowledge, no measurement, direct or indirect, of the effect of ES on duration of job vacancies, on unemployment or on net national output has ever been attempted. Clearly, it would be quite difficult and the results are likely to be marginal, if detectable at all.

Labor exchange may simply involve a matching of a worker with a job without any brokering of qualifications or requirements in the process. In contrast to the static market effect implied by this direct matching, the ES can bring about changes in the market. This happens when an ES order taker convinces the employer that he is unlikely to fill an order at the wage rate he is offering or with the particular set of qualifications he is asking. The result is a change in employer specifications, bringing them in line with current labor supply conditions. Market conditions also change when a counselor causes an ES applicant to change his occupational goal, or to seek employment in another labor market, or to pursue training that is more realistic in terms of the job market. The ES, thus, can change the conditions of labor demand and supply. The most significant example of this labor market restructuring may occur when, as a result of ES identification of an imbalance in the labor market, educational or training programs are altered to meet labor shortages, or firms locate in areas where they can take advantage of excess labor supply.

The economic objectives of labor market restructuring are increasing net national output by reducing structural unemployment. The contribution to national output may be greater than that obtainable through direct job-worker matching, but the activities involved are clearly more costly.

2. Preferential Treatment

Increasing equity in the labor market is another objective of ES offices. In contrast to simply matching worker and job, increasing equity requires treating certain types of clientele differentially. The specification of this clientele has differed through time. By law, veterans receive preferential treatment; older workers, youth, welfare recipients, women, the poor, minorities and handicapped have at times been designated as special targets for ES services. These various target groups are not necessarily all awarded top priority; there are priorities within priorities.

The rationale for special treatment also varies. In some cases it is to offset the effect of long standing institutional barriers to equal access to a portion of the job markets. In

other cases the target clientele needs particular types of services in order to be competitive in the labor market.

The economic effect of giving preferential service, when successfully performed, is to provide a transfer or subsidy to the target clientele. The use of the ES to help achieve these equity objectives reflects national social needs and priorities. Determination of the costs and benefits of preferential services might not greatly influence policy-makers in setting these policies.

It should be noted that equity objectives and the economic efficiency objectives of the labor exchange function may be compatible, if the target group has less access to job information than the general population. This may not always be the case, however, since equity requires focusing on serving applicants in terms of criteria other than qualifications alone.

3. The Application of the Work Test

The ES acts as a policing agency, insuring that recipients of certain kinds of transfer payments are in the labor force and actively seeking work. It has been argued that this is an entirely separate function, not part of the Wagner-Peyser concept, and is paid for separately and therefore need not be considered in any conceptualization of ES roles. But application of the work test for Unemployment Insurance (UI), Food Stamp and AFDC beneficiaries has an enormous impact on ES operations, and this has been true (for UI), except for the war years, throughout the forty years of the federally supported ES. Although the Social Security Act, which provided the UI benefit system, was a separate piece of legislation, it was made possible in the form adopted by the fact that the Wagner-Peyser Act had created a national system of public employment offices. Our fieldwork suggests that a significant portion of the resources in a typical local office are involved in the application of the work test.

Since many categories of UI, AFDC and Food Stamp beneficiaries are required to register with ES, this provides most offices with a continuous and sizeable intake which must be registered. This is an intake population for which in many cases there are no current openings in the labor market, and for which extensive employability development would be required before the job market could absorb them.

The existence of such a client population has enormous implications on the size needed for ES office operations, on registration, file search and referral policy, as well as on staff requirements and service mix. These implications cannot be ignored, but must be faced head-on.

The prospects for the future do not suggest any diminution of the work test function. Rather, the indications are that any national income maintenance program would require an expansion of the work test function.

The economic objectives of the work test appear to be to reduce UI and welfare costs by screening out ineligible applicants, and to increase the labor supply, thereby reducing labor costs. The relevant research questions are: (1) How much does the function cost?; (2) What are the indirect costs on ES productivity of providing it through the ES?; (3) Are the work test objectives being achieved?; and, (4) What are the consequences on employer use of the ES?; (5) Are these costs and consequences substantially different from program to program?; (6) Can the work test be redesigned so as to reduce any counter productive effects?; and, (7) What alternatives exist for achieving the UI and welfare cost reduction?

4. Community Benefits

Another objective found in some ES offices is monitoring community manpower needs so that help in dealing with these needs can be provided. Any office making an active attempt to participate in CETA is trying to meet this objective, as is an office that discovers a need for guaranteed employment for ex-offenders and submits a proposal for LEAA funds to run such a program.

Community service parallels the equity objective in that it is a transfer or subsidy. In this case the transfer is to communities in the form of staff and facilities to serve community needs.

The rationale for community service in a federally funded operation such as ES appears to be primarily a desire to decentralize decision making. There may be related economic objectives, as for instance where the ES provides information for planning manpower programs designed to increase equity or productivity. Community service may also be directed to raising local per capita income by providing economic development information.

5. Enforcement

Under a variety of legislative mandates, the ES has been given a number of policy or enforcement activities in the area of hiring discrimination, farm worker housing, and immigration. The activities include investigation, reporting, even adjudication. The objectives are, for the most part, worker protection.

6. Employer Benefits

It is clear that employment services as provided in many

offices, benefit certain employers over and above the benefits of receiving a worker for a current opening. Careful screening of applicants to employer specifications saves employer costs. In some cases, where exclusive hiring agreements exist, gate applicants are directed to the local ES offices and the employer interviews only those referred back. ES activities here actually eliminate the need for personnel staff in some firms. In fields where turnover is high, these ES often can lower the cost to the employer by quick referrals of replacements.

Such service to employers is common in local ES offices and the benefit to the employers can easily be established. In many cases this service provides a subsidy to the employers involved. Subsidies are a common public policy tool where the goals are agreed to be socially desirable. It appears important to identify who is subsidized, at what cost and what the results of that subsidy are.

The question must be asked, however, does providing these apparent subsidies represent objectives of the ES? From the national viewpoint we see no evidence in law or policy to support a contention that disproportionate subsidies to selected employers is an ES objective. To the extent that benefits accrue to certain employers beyond those anticipated from the normal labor exchange function, the benefits appear from a national viewpoint to be unintended, although not necessarily undesirable, consequences of state efforts to make placements.

From the local point of view, however, in at least one state we visited the employer subsidies seemed clearly to reflect a state objective for the ES. In that state the ES clearly had a role in promoting economic development and extensive services to employers was one way of helping to meet objectives.

Operational Activities

All ES offices have a certain set of procedures which they follow in dealing with in-coming applicants and job orders, for bringing the two together, for dealing with applicants for whom there are no jobs and for increasing employer penetration. These procedures are thought of as "services" by most persons in ES. In the course of our fieldwork we found broad differences between offices in the way these activities are carried out, although all the procedures have been thoroughly manualized.

Many questions that arose in the course of the fieldwork concerned the effectiveness of various procedures in relation to costs for various clienteles, relationships among activities and the most efficient mix of activities.

For example, in some areas attempts were being made to provide three different service models for clients with differing degrees of job readiness (the COMO model). One hypothesis offered

from the field was that with limited ES resources and rising volume of job seekers, the three-tiered system was perhaps suboptimal for all types of clientele. Such questions cannot be answered within the framework of current ES data gathering, reporting and program analysis.

If meaningful analysis is to be undertaken, uniform data gathering categories should be used. The following is an example of a set of analytical categories and data elements which could be used to describe ES operational activities:

1. Analytical Categories

a. Registration-Intake-Assessment. This category includes all those activities performed by the ES office which enable the applicant to gain access to the job referral system or to other services such as employability development. It may involve a process of work application completion, face-to-face interviews with employment interviewers, as is usually done where the work test is to be applied, or it may be a simple system whereby an applicant who has self-selected a job from a microfilm viewer is directed to a placement interviewer.

b. Selection-Referral-Placement. Included in this process are: comparison of applicant qualifications against employer specifications; selection of those who appear to meet the specification; referral of the applicant; and verification of results. Part of the process may be carried on by computer or it may be done entirely by hand file search. It may be based entirely on a face-to-face interview, involving no file search at all, as in the case of an applicant selecting a job from a microfilm viewer.

c. Employer Contact. This activity consists of all contacts in which information flows between employers and the local office. This may be limited to order taking through a centralized point or there may be a broad range of activities, such as planned visits or participation in a panel, designed to increase the flow of information between the office and the employer.

d. Employability Development. This category refers to those activities directed toward applicants who are not job ready. Counseling, both formal and informal, is the major activity. Also included would be testing and other assessment activities performed for applicants identified as employability development clients. Counseling and testing may be part of the selection process such as when proficiency tests or specific aptitude tests are used to screen applicants for referral to jobs. Employability development also includes selection and referral to training, or teaching applicants how to improve their own job search efforts.

e. Providing Information. All ES offices provide information to clients, employers and the general public. This may take the form of simply putting job orders on display or it may take a more active form of answering specific requests for information. The source of such information may either come directly from employer contact or from internal or external compilations of data.

2. Data Elements

a. Cost. Data on costs should be collected for each of the activities categories described above. Included should be number of contacts per client, employer, etc., man days allocated, man days worked and direct dollar cost per contact and per employer.

b. Client Characteristics. Data should be available for each of the operational activities and on the volume of clients subject to that activity. This would include standard socio-economic categories--race, sex, age, income, labor force state, work and educational background.

c. Employer Characteristics. Data should be developed reflecting industry, size, volume, duration and characteristics of openings.

d. Outcomes. For both clients and employer data is needed on outcomes related to operational activity cost and characteristic data. The current system produces, in effect, only two outcome items--the transaction count of placements and the number of different individuals placed. A considerably broader spectrum of outcome data is essential, including increases in income for clients, reductions in the duration of unemployment, reduction in the duration of job vacancies and reductions in costs for employers.

Organization and Management

Whereas the preceding category refers to variables which link the ES system and its clientele, this category consists of variables internal to the system, not involved with client or employer interfaces, and hence only indirectly responsive to the labor market.

1. Horizontal Structure

The general issue of structure in the ES system has two dimensions, horizontal and vertical. By horizontal structural issues we mean the composition of the service program encompassed within a local office or subject to administration by a single division or other unit. We also include here the number, location and linkage of offices within a labor market.

In the course of the fieldwork we saw several types of horizontal office structures: small "peripheral" offices limited to placement services; several sizes of "full functioning" ES offices (placement plus counseling, testing and perhaps other services); combined ES and UI offices; ES combined with WIN; ES combined with WIN and a social welfare service unit; and ES combined with WIN and Vocational Rehabilitation.

The most striking impression was that the processes of combination, especially between UI and ES, were going in both directions, splitting and combining. In most cases quite plausible theories were offered about why the components ought to be combined or separated. One is forced to conclude that either it doesn't really matter much or else the consequences of different kinds of structures are not really known from solid research and analysis. We are inclined to the latter view.

We did find that a long term research effort was underway in one state directed toward understanding the consequences of the structure of local offices. The research grew out of the question of whether UI and ES ought to be combined. The research involved state staff and an academic researcher working together. We think that the effort ought to be continued and eventually ought to be extended as a cooperative effort into several other states so that greater variability in office operations and structure can be included in the work. The research has the clear potential of providing tested measures of office structure and operations which can be incorporated into state and national evaluation efforts.

A series of research questions are important. How compatable are the different programs such as ES, UI, WIN and Vocational Rehabilitation? In what ways do they complement or conflict with each other? What are the best organizational designs? What different structures are needed in different labor markets?

2. Vertical Structure

The second dimension of organizational structure is vertical, by which is meant the line management structure. We found extensive use of the rhetoric of decentralization, both in the states and within the Manpower Administration. But we also found some management structures which belied the rhetoric. The general pattern in the MA and the states is to have an intermediate administrative level (district or regional office) between the central office and the state or local office. That appears to be an effective pattern in some situations such as for coordination in a large, multi-office metropolitan area or in handling many local Manpower training contracts. But often it appears not to be effective when the intention and the need

is for real decentralization to the state or local office level. The typical result is that some of the perogatives of the local office manager are lifted to the next higher level and some of the perogatives of the central organization are pulled down. The result as we saw it in one state appeared to be creation of bottlenecks and a clear loss in effectiveness. The problem was also due in part to the absence of a clear management philosophy of decentralization which could have been translated into clear role definitions.

There are several research questions for long term study. When is decentralized management and decision making appropriate? When called for, can the management structures be designed to most effectively achieve decentralization? Particularly, how can states balance the need to minimize the interventions in local office operations by an intermediate management level with the need to limit the span of control at the central organization? What are the strategies available to the central organization to promote higher performance under decentralized management? How do you insure responsiveness and accountability to the intermediate levels between the local and central administration?

3. Information Technology

Recently the largest single research and development activity in the ES has been the establishment of the Job Bank system and associated work on what are seen as automated man-job matching systems. These systems clearly have enormous implications for state and local office operations, some of which are quite positive, but others of which are at best insignificant and sometimes negative. In general, we view research and development on advanced computer information systems as a very important element of the total ES effort.

As people who are familiar with the ES are aware, the process of computerization has once again illustrated the difference between a true research and development activity where development would occur step-by-step as research and testing feed back the results of each step. In this case the Job Bank was highly politicized and seems to have been treated as a panacea to solve the employment problems of the poor and to improve the ES.

The clear need for the future, as was the need in the past, is to have a long term interactive research and development effort as computerization proceeds. We see several types of research needed in relation to further computerization.

(a) As suggested by the Task Force on computerization, the multiple purposes of the effort need to be identified and the

contributions to each purpose measured. Moreover, the Task Force suggested that some priorities among the objectives ought to be established as a guide to future work. From our fieldwork we would identify six purposes. They are offered in order beginning with what we saw as the most important.

1. Manage the paper flow, especially including ESARS. In the one state we visited with an operational on-line system with fully integrated data files between ESARS, Job Bank and applicant data, handling the reporting requirements was clearly a major benefit of the system. Reporting and record keeping seemed to have almost disappeared as a problem. In contrast, staff in one large state estimated that 10 percent of direct ES staff time was taken up with reporting compared to 2-3 percent prior to ESARS. We would estimate that an on-line system would therefore release between 5 and 8 percent of the local office staff from duties associated with reporting to perform other more productive duties. Increased costs for computerization may offset gains in staff productivity.

2. Reduce costs of work test administration through efficient handling of applicant records, especially in states with relatively high unemployment and large volumes of welfare, food stamp and unemployment insurance beneficiaries.

3. Share job order information among offices in a single metropolitan area and between adjoining metropolitan areas such as those in the Los Angeles basin.

4. Expand file search capability for man-job matching, beyond the limits of manual systems and the Dictionary of Occupational Titles Code as a descriptor system. We expect that this objective would vary in importance from one labor market to another. We theorize that it would be more important in markets with low unemployment and a wide range of available jobs. Conversely we would expect it to have little importance in a market with high unemployment and a concentration of job orders in low-wage, low-skilled occupations. In such markets, most referrals can be handled most effectively from the available walk-in job seekers.

5. Increase control on the job order and referral flows, especially among multiple offices in a metropolitan area. One aspect of this control function is to prevent discrimination and insure equal access to job opportunities.

6. Make information available to the public. This objective is listed at the bottom because there are quite effective and very inexpensive methods of meeting this objective without any computerization. Indeed, unless provisions are made for posting orders in written copy as soon as they are received and publicly listing orders are closed, the current Job Bank

systems leave important information out (the new orders not yet in the system) and produce some mis-information (orders already on hold because enough referrals have been made). Staff in many offices we visited felt they were adequately sharing information with the public, but without having compensated for these shortcomings in the Job Bank microfilm system.

It is obvious from the ranking that man-job matching, the announced purpose of advanced computerization, as well as other placement related purposes, could become secondary motivations for computerization wuth the primary purposes being to handle the now burdensome applicant data flows. The research and development strategy should therefore include studies directed toward minimizing the local office burdens of reporting and administering the work test. R&D related to computerization could then proceed with a clearer focus on its announced purpose.

(b) Also as suggested by the Task Force, we believe that it is important to experiment with information technology in a way which will help determine the appropriate kind of technology for use in various office situations. As indicated above in (a) (4), we theorize that different kinds and levels of information technology will be appropriate in different labor market settings. Thus future experimentation should be shaped to encompass a range of different markets.

The Labor Market

Central to the entire research and development strategy is developing a model of the labor market in which the ES office is operating to provide a basis for identifying the problems which the ES should address and analyzing the performance of the agency. The current model of the labor market is essentially a static one, based upon stocks rather than flows. The basic profile of the job market is employment (i.e., number of people working) by industry. On a national basis there is also a profile of both employment and the unemployment by occupation. On the level of the local labor market even this occupational detail is available only from the census of population once every 10 years, except for some very limited data for a few large metropolitan areas, or areas where special surveys are done. In general the only current data available at the local level are employment by industry and the total unemployment rate. Following are some new categories of data relevant to the analysis of the ES.

1. Flows In and Out of the Job Market

The Employment Service is involved in the movement of people into and out of jobs, and in and out of the labor force. If firms are doing little hiring it is reasonable to expect that ES performance will decline. It is also important to be able to

specify the scope of ES activity in relationship to the market (commonly referred to as "penetration"). The relevant labor market information would be the gross flow data on hires, layoffs and persons entering and leaving the labor force. This data should be cross-classified by such job characteristics as job title, pay, training and educational requirements. An even more significant measure, as yet undeveloped conceptually, would be that of "entry points" which represent pathways between the external job market and the internal promotion ladders of firms.

2. Structure of the Market

Somewhat less obvious is the relationship of the structure of the market to ES performance. A market dominated by a small number of large firms is likely to have large well-developed internal market structures and its manpower needs are likely to be rather different from a market dominated by small firms, even though the large and small firms engaged in the same kind of economic activities.

3. Hiring Channels

Labor markets can be characterized by the kinds of mechanisms that exist in the market for labor supply-demand adjustment such as union hiring halls and private placement agencies. To the degree that these are prevalent they suggest a diminished role for the ES or an alternative mechanism for performing ES functions.

4. Stage of Development

Growing labor markets clearly have different kinds of manpower needs from stagnant or declining ones. An area that is becoming industrialized may have a need for a pool of unskilled labor, with relatively little concern for qualifications. It may be sufficient to offer wages that are more attractive than farm work. A central city with a large volume of minorities, recent migrants to the area, and with a declining industrial base will need a very different kind of Employment Service, probably unlike any of the currently known models.

CHAPTER V

AN OUTLINE OF RESEARCH AND DEVELOPMENT ACTIVITIES

Focus of Activities

The development of an agenda for future research and development activities proved to be a far thornier task than that of identifying problem areas or even the development of an analytical framework. It is a truism that it is easier to criticize than to come up with alternatives. But less obvious is the perilousness of the exercise of asking, once an alternative is postulated, "What information must I have to evaluate this alternative?"

In the course of our fieldwork and discussion we identified two radically different prescriptions for dealing with the research needs of ES. One approach focuses directly upon the global question of whether or not there should be an ES. The rationale for an ES,it is postulated, must derive from the needs of the labor market. Such a research approach would 1.) identify inadequacies in the labor market, and 2.) examine alternative mechanisms for coping with these inadequacies in terms of costs and benefits to society. These alternative mechanisms would include a public employment service but also would examine the role of private placement systems and the consequences of not having any public interventions at all to deal with labor market inadequacies.

Data on labor market needs and the costs and benefits of public intervention should provide, it is argued, a basis for answering the questions--should there be public interventions to deal with labor market inadequacies?, should this be in the form of a public employment service?, and if so, at what cost? The research agenda that emerges from this perspective involves substantial conceptualization and collection of data relating to job seekers and the labor market.

A second prescription, focuses upon the inefficiencies of the current operating system. This perspective views the objectives of ES as being founded in legislative mandates and intent. The objectives are considered as broader in scope and purpose than providing services for which there is a favorable ratio of public benefits to costs. The research agenda that follows from this approach includes clarifying objectives and identifying other sources of inefficiencies and testing the effectiveness of service and management constellations in meeting objectives.

Partisans of each of these approaches regard the other approach as unneeded. We, as technicians, external to the ES system simply were not in a position to choose between these two

value positions but rather have attempted to encompass both points of view. We concluded in fact, that these extreme viewpoints represent but poles on a continuum of research activities which ranges from the short range administrative consideration to broad policy research. To avoid the appearance of dichotomizing a continuum, we chose to use, in presenting our agenda, three categories of research in what we recognize to be a continuum with regard to the kinds of decisions that require research findings.

1. Policy

Research at the policy level is aimed at basic questions of what the needs are in the labor market for an intermediary agency such as the ES and what the payoffs are from such intermediation (i.e., benefits in relation to costs).

2. Program Improvements

At an intermediate level, we designate studies as program improvement which, while accepting basic goals as given, seek to question the effectiveness of services or of organizational arrangements, or seek to identify new services. Research here would focus on studies such as the most effective location for ES offices, whether computers can substitute for staff in performing certain activities, and how to improve employer services.

3. Efficiency

This level we refer to as the efficiency level. Research activities here are directed toward immediate needs, the goals of the system are taken as given and indeed the general services provided and the way the system is set up to provide the services is not questioned. Research questions here are of the general nature as "what are the constraints?", or "what mix of service will maximize the volume of placements?"

Following are descriptions of studies making up the proposed ES research and development agenda. They are offered without indications of priority, reserving the priorities or strategies for separate discussion in Chapter VI. That chapter presents four options which use the studies discussed here as building blocks.

Table 2 cross classifies the studies which are subsequently discussed in this chapter. The table relates the level of research to the elements of the analytical framework discussed in Chapter IV.

Cost/Benefit Analysis

The first approach to the ES policy questions must be through

Table 2. Proposed Elements of an Employment Service Research and Development Strategy

	Objectives	Operational Activities	Organization and Management	Labor Market
Policy	Cost-Benefit Analysis Work Test Enforcement Intensive Services Study	Employment Counseling Labor Market Information Delivery		Hiring Channels
Program Improvement	Operational Experiments		Management Improvement	Identifying Entry Paths
Efficiency	A New Data System	Operations Study (Performance)	Management Evaluation	Labor Market Impact on ES Performance (Performance)

the comparison of the economic impact of the system in the performance of its various functions with the cost associated with these functions. It should be recognized that the ES has important non-economic impacts and even in the economic arena, cost/benefit analysis can only provide an input to informed decision making with regard to public expenditures.

The economic effects of the ES operations are virtually unknown at the present time. None are measured, many are not precisely defined or even clearly identified. On the cost side, the present ES data system does not permit the accurate allocation of costs to the various functions, service, or overhead activities.

The proposed studies would require the precise formulation of economic effects of ES operations, and also would require the development of accurate cost data. These steps alone will add significantly to the stock of information for policy decision making, and provide an improved basis for internal resource allocation and program management.

To be useful in broad policy planning, cost/benefit analysis must identify alternative mechanisms, and their costs, for achieving the specified results. Thus, the costs of administering the work test, enforcement, preferential service and subsidy roles through other instrumentalities must be evaluated.

The cost/benefit analysis activity is envisioned in three operational components of about six months duration. These phases are conceptualization; data gathering; and estimation. Following is a brief discussion of each:

1. Conceptualization of ES Benefits and Costs

For each of the functions described in the Analytical Framework in Chapter IV, an economic effect is identified. The labor exchange can potentially affect national productivity and hence generate net social benefits. The economic effects of the preferential service, employer services, community service and enforcement function are distributive in nature, that is, they do not add to national productivity, but are transfers from one economic sector to another. The work test function is also distributive, but it may also lower unemployment, increase the labor supply and reduce labor costs.

The conceptualization of benefits and costs of ES must provide for precise formulations and measurements associated with each of these functional activities. This should include not only costs associated with each function, but the resulting flow of benefits, (as well as displacement effects or dis-benefits) to users and non-users, both clients and employers, to communities and to society in general.

There are difficult analytical issues involved in this task. Many of the operational activities, which form the cost side of the ratio, may provide input to several of the functions simultaneously. Thus a placement of a veteran may meet both labor market efficiency and equity objectives, hence having both desirable productivity and distributional effects. Or the placement of a veteran may displace or lengthen the joblessness of a non-veteran, so that productivity benefits are nil.

Further, just as there are certain complementarities among functions, and hence cost savings generated by performing them in a single institutional setting, there are also conflicts and hence inefficiencies. For example, the application of the work test results in suboptimal staff use in performing the labor exchange function. The cost/benefit analysis must develop a way of identifying and measuring both the complementarities and conflicts.

The measurement of these effects will provide a basis for considering the questions of whether the various ES functions should be carried on under a single roof, or whether alternative mechanisms should be sought.

Another constraint that must be considered is the kinds of data that are available on a national basis, or that can be gathered at reasonable cost on a sample basis, or through special tabulations of Social Security data, or through special questions included in the Current Population Survey.

Several important issues merge here. The need for information is urgent, since policy questions are being raised at a national level. It therefore seems appropriate to undertake an analysis on a national level first, recognizing that there are great differences in various states and localities, owing to difference in structure, ES operational models and the labor market. Some conceptual work for cost/benefit is currently being undertaken for the Manpower Administration at the University of Pittsburg. If the scope of this undertaking is not sufficient to deal with the issues outlined, this effort should be expanded.

2. Gathering Data on ES Benefits and Costs

This task requires an intimate knowledge of ES operations and data and for this reason this activity could probably be best carried on by states under Manpower Administration direction. On the cost side, the existing data system is unsatisfactory and a time study on a sample basis would be required. Using ESARS files, which record SSA numbers, services provided and client characteristics, data on benefits to persons served by ES might be developed from earnings data in Social Security files. This same source could also be used to develop limited control data for comparison purposes, although it would probably be necessary

to use Current Population Survey data to develop a fuller picture of a comparison population. Estimates of benefits to employers would require surveying employers which should be done by an organization with special competence in this area.

3. Estimation of Benefits and Costs of ES

The actual estimation of the benefits and costs, based upon the data collected in step 2 is another component that would best be done by outside specialists.

Separate estimates of costs and benefits associated with each of the functional activities should be developed. It is clear that some objectives are not entirely economic in character such as the work test or community service. In these cases policy considerations may make it desirable to carry them out even if costs exceed benefits. For these reasons there is no single sum total of benefits and costs representative of the ES as a whole, but, rather a set of values associated with each function.

Other components of this analysis would be the estimation of the costs associated with alternative mechanisms for accomplishing these functions. Data on the alternatives to the labor exchange function will be developed by the hiring channel study, described in the following pages, which, if conducted concurrently with phases I and II of the cost/benefit analysis, should provide the necessary input data.

Labor Market Research

The most fundamental policy level concern with regard to the ES is one that goes beyond its historic and currently identified functional activities and objectives and beyond the examination of costs and benefits of these activities. This fundamental concern is to identify a future role for the ES which makes sense in the labor market as it will operate in the 1970's and 1980's.

Current knowledge about the labor market is sketchy in many areas; statistical indicators currently available, such as the unemployment rate, are the grossest sort of measure, often revealing only the tip of the iceberg. What is known about job search behavior--how workers find jobs, now employers find workers--indicates that the ES has a limited role in the labor market, but does not indicate whether that role is appropriate or not.

There has been some work on the kinds of labor market information thought to be needed, and on the design of systems to provide such information, by Thal-Larsen (1972) and Yavitz and Morse (1973), but there is little empirical data on the effectiveness of such information systems, which are admittedly costly, in meeting the presumed needs.

Even in the area of theory there are competing hypotheses to explain the sketchy observations currently available.

A preliminary review of prior research findings and future needs in the area of labor market analysis has been completed in draft form by Trevor Bain (1974). He identifies eight research areas: labor market theory, the search for work, selection and entry, internal labor markets, mobility, measurement of the labor market, labor market information systems and special labor markets.

Research in each of these eight areas has policy level relevance to the question of a role for the ES. One critical area is that of the search for work. Research to date by Stevens (1971) has raised questions about the value of information per se in job search. These findings were based upon a study of ES clients, and very little is known about the job finding behavior of seekers who do not turn to public agencies for assistance. The only on-going research is into the somewhat tangential area of want ads as a mechanism for job finding.

In the area of internal labor markets, the work of Piore and Doeringer (1971) suggests that most jobs in large firms are filled by internal advancement systems. They are therefore not generally accessible to the external labor market and hence not accessible to ES. Some jobs are entry points and these could be accessible to ES. The volume and character of these entry jobs is not well known. The ES job classification system, the Dictionary of Occupational Titles, because of its heavy emphasis on tasks, presents a good description of positions within the internal market, but this is often of little relevance outside of the firm. In classifying workers, the DOT system relies on the work history of the job seeker. This may assign him to a category which is typically not accessible to the external market or the ES. At the same time there may be opportunities at the entry point for which the seeker is not considered. Whereas a possible role for the ES could be to increase the substitutability of labor, the lack of understanding of the interface between internal and external job markets may be reducing substitutability and hence increasing the duration of job vacancy and unemployment. The occupational classification system used by the Census Bureau for the Census of population and the Bureau of Labor Statistics for the Occupational Employment Statistics Program based upon similar assumptions provides no insight into the internal-external market interface either.

1. Hiring Channels and How Workers Find Jobs

An improved understanding could be gained of both how job seekers look for and find work, how employers look for and find workers, by studies of how firms recruit workers and profiles of workers recently hired and workers recently terminated. Some light will be shed on this by studies currently being undertaken

by CAMIL Associates, which is surveying users and non-users of ES, both employers and clients, in cities of 100,000 to 250,000 and Olympus Research Corporation, which is comparing newspaper want ads with openings received by the ES. What is needed next is a survey that will provide a valid statistical profile of employer hiring channel mechanisms and the costs associated with them and of how workers are currently finding jobs and the costs of job search.

The Job Finders Survey, conducted in 1973 by the Census Bureau as part of the current population survey household interviews gathered data on how workers found their jobs, but not, directly, the costs of job seeking. An expansion of this type of survey could provide the necessary profile of job seekers, but not; of employers. A more efficient approach, we believe, would be to identify a sample of employers and workers associates with them as the basic source of both sets of data.

This sample would be of employing establishments, stratified by the major known source of variability in labor market behavior--industry, number of employers, existence of a personnel department, collective bargaining agreement and location. Within each of these categories, stratification should also be made as to the volume of hiring. Information on how firms find workers would be gathered in part through interviews with organizational respondents. Additionally, a sample of workers recently hired would be contacted to determine how they looked for work, how long they looked and how they found their job. Similar data could be obtained by follow-ups of persons laid off. Such a study, if it were carried out with sufficient scope and coverage so as to be broadly representative of the labor market and the experienced labor force, would produce a wealth of descriptive data, at a comparatively low cost. It would provide great richness of detail in terms of industrial structures and worker characteristics. Further, employers and worker characteristics, needs and expectations could be compared on a strictly matched basis. The only part of the labor force not covered by this approach would be the entrant with unsuccessful job search techniques, since he would not appear in the sample as a hire or a separation. Information on this category would still have to be obtained through CPS type household surveys.

Although the interviewing, particularly of the employers, should probably be done by outside contractors, the best result would clearly be obtained by contracting with five or six state agencies to administer the study in their respective states, based upon a carefully developed overall study design. The reason for this is that in states which have wage contribution reporting, universes of employers and workers can be precisely defined so as to permit very sophisticated sample designs. Since outside contractors must often go through a learning process, there is always the risk that a study of such magnitude might

fail to produce useful data because of contractors' unfamiliarity with ES data systems, differences between state systems, and the like. This source of error could be reduced by making state agencies intermediaries in the undertaking.

2. Identifying Entry Paths

As discussed earlier the current occupational classification schemes (DOT, Census, BLS) provide little insight into the entry pathways between the external and internal labor markets. Basic research aimed at identifying these entry paths appears indicated. Such research would have major implications not only upon the kinds of statistical data gathered, upon planning and evaluation of ES operations, but upon the very technology of the matching process itself.

Such a research undertaking should pinpoint within each industrial classification the major entry pathways, and their characteristics, in terms of volume, duration, employer specifications and promotional opportunities. This would provide a new statistical indicator of area labor demand and supply. The key measure of need for ES (or other type of intermediary intervention) might be the volume of current entry-point job openings remaining unfilled for a specified duration of time. This figure, disaggregated by type of experience and training required, could become the basis for both planning and evaluation of performance.

Perhaps most important of all, it could lead to a revision in the job order taking, worker registration and matching processes. In place of the current system based upon job titles, tasks and past experience, a new technology could be devised based upon the realities of movement from external to internal job markets.

Even the design of such a study requires data not currently available, and hence this study appears to be several years in the future on the planning horizon. The hiring channel study, described earlier, would provide a good description of the universe of new entries by industry. Based upon this, analysis of entry point characteristics and outlook could be developed based upon in-plant studies.

Such an undertaking is of a scope comparable to the revision of the DOT and is the sort of activity that should utilize the internal resources of the system to the maximum extent possible.

Performance Studies

As we state in Chapter IV, ES performance is affected by a large number of variables---labor market operational activities, organizational management. Studies of the effects of each of these variables on performance will provide a basis for a com-

prehensive model for evaluation of the ES. Several such studies are described below, however there might be a single broader project.

1. Labor Market Study

The preceding section discussed the need for basic labor market research to develop new concepts and gather new data to shape future policies. This section discusses labor market analysis for administrative purposes.

Preliminary analytical work on the effect of the labor market on ES performance has been done by the authors of this report* and by E. F. Shelley and Company. Analysis to date has established that labor market variables strongly affect ES productivity. Using fiscal 1973 data, we concluded that 44 percent of the variation in productivity from state to state can be explained by labor market variables. Preliminary studies by Shelley using fiscal year 1973 and 1974 data have increased the proportion of the variation explained by labor market variables to 57 percent (1973) and 58 percent (1974).**

The percent of workers in low-pay, low-status occupations in 1970 was the dominant variable in determining ES productivity for both years' analysis by Shelley and was an important variable in our study.*** Variables representing growth and turnover in employment (rates of new hires in manufacturing and growth in employment) and the industrial structure (proportions of workers in contract construction, government, and manufacturing) have shown important effects on productivity, but have been unstable in their relationship to performance.**** The unemployment rate has been weakly correlated and only appeared as an important variable in explaining 1973 productivity.

*Center for Applied Manpower Research, "Labor Market Variables Affecting Employment Service Productivity", (Berkeley, California, October 11, 1974).

**E. F. Shelley and Company, Inc., "Interim Report of Findings and Recommendations from the Balanced Placement Formula Study", (Washington, D.C., November 25, 1974).

***Low-pay, low-status occupations are defined as non-farm laborers, farm laborers and foremen, cleaning and food service workers, and private household workers.

****Instability means that there was a high correlation between the performance measure and the labor market variable in one year, but a much lower correlation in another year.

In subsequent analysis, Shelley has added an additional variable--the proportion of unemployment insurance (UI) claimants among all new and renewed job applicants--to the list of external labor market variables. The proportion of registrants who are UI claimants is not a pure labor market variable, because registration of UI claimants, even more than the registration of Welfare and Food Stamp recipients, reflects state laws and local office policies, hence it is in part an internal variable. By adding the variable representing the proportion of UI claimants, Shelley has increased the total amount of variation explained to 65 percent.

We see three avenues of analysis relating to labor market variables which should proceed. Separating the analysis of internal and external variables is an important conceptual distinction in our opinion because the two types of variables raise different kinds of policy issues.

2. Productivity of Local Offices

Analyzing the effects of labor market variables on productivity should reach to the local office level, or at least to the metropolitan area level. Along with others who have been studying the question, we believe that the aggregation of labor market data from the local level to the state level probably disguises some labor market effects.

Some of the hypotheses which should be tested in this analysis are:

(a) Under disaggregated analysis, the kinds of labor market variables which affect productivity and the interrelationships may change.

(b) Typologies of labor markets may exist in metropolitan and non-metropolitan areas which do not appear in data aggregated to the state level. Among theories which should be tested is the typology developed by Stanback and Knight in The Metropolitan Economy.*

(c) Even if typologies do not emerge from factor analysis, preliminary research suggests that there are important situational features of labor markets which affect performance. The proportion of low-pay, low-status occupation is one way to describe the market structure. Other measures, such as the percents employed in manufacturing, contract construction and

* Thomas M. Stanback, Jr., and Richard V. Knight, The Metropolitan Economy: The Process of Employment Expansion, (Columbia University Press, New York, 1970) p. 116.

government correlate with ES performance according to Shelley but using state level data the relationships have been unstable in regression analysis between 1973 and 1974.*

3. Placement Target Setting

Once the relationships between the labor markets, the level of funding and ES performance have been established, a procedure should be developed for setting future placement targets based on short term labor market projections and available funding. Setting placement targets is one of the most difficult Manpower Administration problems. Heretofore the methods available have been (a) to rely on the state and local office's own estimates, which in turn have usually been estimates stating that the next year will be about like the last year; (b) to increase arbitrarily the expected production by a fixed percentage; (c) to negotiate with the states; and (d) to use the average performance of all states as a guide to expectations. Those doing better than average were thought to be good performers and those doing less than average were thought to be poor performers who should be told to come up to the average. None of these methods have been satisfactory because they lack objective indication of reasonable expectations based upon the ES role in the labor market.

We offer the following considerations in developing the target estimating procedure. First it should be considered a tool and not the final arbitor of targets. A degree of decentralization in decision making should be permitted to operate because the statistical procedure cannot possibly account for all of the external influences on productivity. Moreover, the variables used will inevitably be approximations of the real transactions and institutions in the labor market. This will be true even after more research is done to develop new labor market measures. The states and the local offices may be aware of factors which have not been included in the procedures which should be considered in final target setting. The statistical procedure should therefore be considered an objective aid to the bargaining which must inevitably exist.

Second, the estimating procedure will have to rely on analysis based upon the past performance of state and local offices. The estimates will therefore not be statements of the absolute potential for placement services, but rather the relative potential considering the experience of all state and local offices facing comparable conditions. One of the purposes of labor

* E. F. Shelley and Co., unpublished memorandum of January 10, 1975 to Abe Stahler.

market research should be to examine the possibilities for measuring the total hiring flows in the labor market in a sufficiently precise and disaggregated form to permit better assessments of absolute potential for ES placements. But, until and unless such procedures are developed, an element of arbitrariness will remain in the decision making as long as policy makers want the entire nationwide ES to produce more placements than it has in the past.

4. Testing Productivity Measures

The analysis so far has used only one productivity measure: individual job seekers placed in non-agricultural jobs per ES man year. This measure excludes agricultural placements and does not recognize the multiple placement productivity measures used in the Manpower Administration's Balanced Placement Formula.* An important analytical task should be to examine the implications of using different productivity measures. All of the measures used in the BPF, plus all of the others which might reasonably be considered, should be studied.

The analysis of productivity measures should address the following hypotheses:

(a) Some measures, such as individuals placed per man year worked and man years paid, are highly intercorrelated. Use of such intercorrelated measures creates redundancy in planning.

(b) Some measures are probably quite independent of one another and really describe different kinds of labor market roles for the ES. Understanding this independence or lack of independence is important in policy making. As a hypothetical example, suppose that statistical analysis shows that agricultural and non-agricultural placements are highly intercorrelated--if you can make one kind, you can make the other--then the policy probably ought to be to combine them into a single target setting and evaluation measure. Conversely, if they are independent statistically the separate targets for each kind of placement would be indicated.

5. Operations Study

A major element of the analytical framework involves office activities and services. The effectiveness and efficiency of these operations obviously affect overall performance. We

* Because agricultural placements have been omitted from the analysis, no labor market variable representing agricultrual employment has been studies so far.

propose two stages of office operations study.

a. Stage I Operations Study - The first stage of operations study should be directed toward developing a model of the variables which appear to interrelate to produce effective performance. A study in the Wisconsin Employment Security Division has already begun this work by analyzing the correlations between a great many performance measures defined from the current ESAR data system.*

Shelley and Company has touched on the potential significance of the office operations study by their discovery that there is a drop of approximately 1 placement per man year for each 1 percent increase in UI claimants as a proportion of new and renewed applicants in Fiscal Year 1974. This variable, although significantly correlated with the unemployment rate according to the Shelley analysis, is one among many which can be manipulated by state law, policy and office operating practice in order to influence productivity. These variables we consider internal variables in contrast to external variables which are in the labor market and are beyond the control of policy makers and administrators. The quality and style of management is also an important internal variable, but we consider it a separate independent variable requiring its own study.

The needed study requires hypothesizing many relationships between ES operations and structure variables and performance variables. It is important to recognize that some of the relationships will reflect state policy and the state as a whole will be the relevant unit of analysis. An example would be the wage level of ES employees. Other variables are more characteristic of local offices.

All of the hypothesized relationships should be tested using state and local data. An initial study would be effective using data from a cross section sample of local offices.

The initial study should produce some insights into sources of performance variation. Some of these may suggest immediate administrative actions to improve performance. Other insights may indicate fundamental policy issues which should become the focus of specific, separate study.

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* See Andrew H. Van de Ven, Mary Joan Treis, and Dennis C. Emmitt, "Performance Inter-relationships in District Employment Security offices in 1973 Organization Assessment," Wisconsin Department of Industry, Labor and Human Relations, Division of Employment Security Madison, Wisconsin, July, 1974.

The initial study should produce specifications for the second stage field study. These specifications should grow out of the model of local office operations which should be developed from findings of the initial study. The model should specify cost, frequency, and quality data to be collected in field study.

Following are some hypotheses and measures which we have suggested earlier should be included in an operations study.* It is reasonable to expect that a great many more hypotheses can be developed.

Hypothesis	Measure
The lower the relative wages of ES employees, the less skill within the staff, and the lower the performance	Wage rates of ES employees compared to prevailing wages in the state
The higher the turnover among ES employees, the less skill within the staff, and the lower the performance	Annual turnover rates of ES employees
The more employer contacts, the more job orders and placements, hence higher performance**	Employer contacts per job opening and per new applicant
The more applicants processed per unit of staff time spent in application taking or per ES man-year, the lower the performance**	New applicants per unit of time spent in application taking and per ES man-year
The higher the proportion of Welfare and food stamp recipients and UI claimants among total new applicants, the less time devoted to placement and related services, hence lower performance	Welfare and food stamp recipients and unemployment insurance claimants as a percent of new and renewed applicants and as a percent of total applicants

* Center for Applied Manpower Research, Labor Market Variables Affecting Employment Service Performance, October 11, 1974.

** Van de Ven, et al., Op. cit.

Hypothesis	Measure
The greater the concentration of ES staff in large offices, the lower the performance	Proportion of ES staff in large offices or the average size of staff in ES offices
The greater the proportion of minority and disadvantaged applicants among total new applicants, the greater the need for counseling and supportive services, and the lower the placement performance.	Minority and disadvantaged applicants as a percent of total new and renewed applicants
The greater the proportion of staff devoted to boundary oriented activities (serving employers or the public), the more resources available to the office (qualified job seekers and job orders), hence higher performance*	Staff time spent on boundary activities

We see the boundary concept as an important theoretical tool for shifting cost and operations analysis from a prescription of detailed actions for local offices to an appraisal of effective resource utilization.

b. Stage II Operations Study - This stage of the operations study is a field evaluation. It involves collecting cost, frequency and quality data on operations and services. It should include a measure of the quality of management, using an instrument developed in the preliminary management research. When combined with assessment of the impact of labor market variables on local office performance, it should pinpoint many of the problems to be solved.

Management Studies

In our interviews, the quality of management was often stated as important in determining agency performance. Our

* See James D. Thompson, Organizations in Action (McGraw-Hill Book Company, New York, 1967) for a discussion of concept of organizational boundaries and boundary spanning jobs.

familiarity with the literature in the field of organizational theory supports the idea that the quality and style of management strongly influences performance. Likert, for example, says that firms which have more open, participative management systems, in contrast with more prescriptive, authoritarian management systems "show high productivity, low scrap loss, low costs, favorable attitudes and excellent labor relations".*

But what about the public Employment Service? Is it true, as one state ES director said to us, that the management theories are fine for private companies, but "don't apply to public agencies like the Employment Service"? Preliminary results from a study by the Institute for Behavioral Research in Creativity (IBRIC) of Salt Lake City do indicate a great deal of relevance for the management theories. The IBRIC study in 78 pennsylvannia local offices shows a high correlation between a variety of management variables and the level of office performance.

We recommend two projects related to the style and quality of management. One project would further explore the performance implications of management style. The other project would follow the first, if the results are as significant as we think they will be. It would attempt to improve office performance through improving management.

Applying the management theories to the ES will take time. They will no doubt need to be adapted so as to meet the unique needs of the agency. The indicated research ought to be conducted in conjunction with an advisory committee representing other researchers in the field of organization and management theory and state and national ES. It is important that a dialogue be carried on throughout the work between researchers and state and federal ES operations people so that the management evaluation comes to terms with the needs and problems of the ES.

A New ES Data System

The current predicaments of the ES stem largely from the inadequacies in the Employment Security Automated Reporting System (ESARS). These inadequacies have tragic aspects. One aspect is that the system design imposes operating conditions on local offices which waste staff resources. Specifically, it requires an information sheet (ESARS 1) on every job seeker. Some offices adhere to the design and spend substantial staff time on an activity that contributes nothing to productivity. Other offices, faced with demands to increase productivity,

* Rensis Likert, The Human Organization (New York, McGraw Hill Book Company, 1967) pp. 46.

have stopped taking work applications and ESARS 1 forms on people they believe they cannot help, unless other complusory registration requirements force the application.

Data thus produced by the ESARS system differs from office to office and state to state with respect to both the volume and characteristics of job seekers.

Our current fieldwork confirms the conclusion we initially reached in 1972--the information provided from ESARS 1 is misleading for many offices and only the local office manager can usefully interpret the resulting statistics.* Since a count of applicants is an element used in the BPF, both planning and evaluation are bound to be in error.

Another aspect of the problem is that the system, even though millions are spent to operate it each year (we have been told that cost is about $25 million), leaves the MA unable to provide information on the value of ES services and the role of the ES in the labor market.

For example, even though employment counseling is one of the historic ES services and involves 1,500-2,000 staff nationwide, the only evaluative information available until this year has been the number of people counseled and the number of counseling interviews provided. Now there is at least a reporting category in ESARS which shows the number of people placed who have been counseled. But left unanswerable are questions such as: what happens to people not placed? How long do the jobs last for those who are placed? Are those placed or otherwise served better off than they would be in the absence of the service?

There clearly needs to be a revision in the ES data system. In our judgment, the revision should be built on a reconceptualization of the evaluative needs of the ES. One criteria for developing the system is that it should be built so as to permit maximum flexibility in the service system. The current system is built on the assumptions that offices take applications from all job seekers, conduct file search for referrals, provide a predesignated set of services, and make placements as the only relevant service outcomes. All of these assumptions are subject to question and for reasons both of gaining maximum operating efficiency and effectiveness and permitting future changes in policy, the information system ought to permit variations in

* Curtis C. Aller, et. al., Evaluation of the Hayward Manpower Delivery System Concept (Berkeley, California, December 1, 1972) pp. 119-125

each of them.

Another criteria is that the system should make use of sampling wherever possible. The costs of the current system of collecting universal data is excessive. Even when collected in accordance with the assumptions on which the system was based the data is probably subject to more error than would be the case with a good sampling system.

We recommend a field study as part of the process of revising the reporting system. Its primary purpose would be to test new data collection procedures under regular operating conditions, but the study would also produce evaluative and policy making information currently needed and not provided by other projects.

The project would test several procedures:

1. It would test a sampling system for collecting characteristics information on office users. The sample would provide a base for subsequent follow-up. Some elements of the data collection device could be varied periodically to pick up special study items, as for example patterns of job search and office use and perceptions of the services and of staff attitudes.

2. The study would test sampling systems to gain follow-up information on at least three groups:

(a) Those who are placed. Information is needed on their actual wage rates, duration of jobs and promotion patterns.

(b) Those who receive other services, including a job referral, but are not placed. This would help to determine whether an office service such as counseling and labor market information helped individuals find employment or helped them make another important labor market decision.

(c) Those who are not served. It would be an important task to determine whether this group, which may constitute half or more of all who come to an office, contain within their number a usable control group for measuring the impact of the office services.

The study should build on and perhaps be partially integrated with other studies. The principal related current study is the survey of users and non-users of the ES. That study, being conducted by CAMIL Associates, is testing a follow-up system. The follow-up system is directed, as we understand the study, towards measuring the effects of counseling and labor market information services, although the sampling procedure appears as though it will provide a cross section of all who filed work applications. It will therefore include groups who were placed or given other

services, and who were not placed or given other services. The "Users and Non-Users" study should therefore give some insight into the sampling problems.

The study we are proposing would broaden the data collection issues beyond the "User and Non-Users" study to encompass the broader range of information needs. Additionally, the data would be collected by the state agency and local office staff under as nearly normal operating conditions as possible. A contractor would help develop the overall design and provide reliability tests. Data collection through the ESARS system would be suspended in test offices during the study period except to the extent that some of the ESARS procedures appeared to be important elements of a revised reporting system.

The proposed information system study might be integrated with the field data collection required for refined cost/benefit analysis. In our judgment cost/benefit analysis should not be simply a one time assessment of whether the ES is worth the investment, but rather it should contribute to a fundamental reconceptualization of the evaluation needs of the agency.

The results of the study would be the following:

1. A new evaluation model would be developed for the ES along with the general design of a new reporting system. The model would integrate the data needs for planning, service delivery, monitoring, operations evaluation and outcome studies.

2. Revised data classifications which more accurately describe the services provided and are the best predictors of favorable outcomes. Revising the classification of jobs--agricultural, non-agricultural, less than three days duration, three days to one hundred fifty (150) days and over one hundred fifty days and perhaps other elements--is the issue of greatest concern. It is not clear now whether these classifications describe the actual jobs in a useful way.

3. Tested sampling procedures, including estimates of standard error, an assessment of the reliability of the information, and the costs of installing a new system should be provided.

Operational Experiments

Ultimately deciding whether the ES remains a needed institution will require two kinds of information. One is the potential of the ES in the labor market as measured by cost/benefit analysis and by an assessment of its general institutional role, for example as a manpower allocating agency in the event of national emergency. This information indicates what the ES might be under the most favorable circumstances.

The second kind of information must show what the ES really can be. The question is, if it performs as well as it can, how close does the ES come to meeting the potential envisioned by cost/benefit analysis. The information about how effective the ES can be may come itself from two different kinds of evaluation.

One evaluation examines what the agency is now. Either the performance of the best or the average of all state agencies could give the information. To use this performance information, one would be saying that the past is an adequate indication of the future. In other words, whatever the performance now, one cannot expect it to improve greatly in the future.

The second evaluation would examine what the ES can become under optimal conditions. These would be experimental conditions intended to let the agency reach the limits of its capability. The test situations would use the best information, planning and management tools and have an optimum level of staff available. To seek this information on performance, one would be saying that the past has not been a reasonable basis for decision making. After the experiment, of course, the experimental results would have to be reconciled with the normal reality to determine whether, in terms of cost and organizational conditions, the optimal performance conditions can be extended to the entire system.

The other research projects described in this chapter will provide information about the potential of the ES through cost/benefit and labor market analysis. They will also provide information on what the agency is on the average and in the best and worst circumstances. We think an additional project is needed to test what the agency might become.

We argue this for several reasons:

1. The ES is currently under severe stress and in some quarters its continued existence is being questioned. Hence there is an incentive now to explore its potential.

2. The ES has not since its early days had a fund of labor market information which could either accurately describe its current role or allow it to identify new roles. That the ES does not have this information is, of course, partly a statement that it did not have the incentive to get it. Although the agency was shoved from one role to another in the last decade, and back again, no one seriously questioned whether it should exist. Prior to the present, the question was which vision of the agency would prevail.

3. As just suggested, the ES has been through a volatile period, now spanning nearly a decade and a half. In that period there have been about four images of the agency, each of

which had quite different goals and objectives, requiring different service technology and organizational dynamics. Roughly, the concepts of the ES in the period went from being a placement service, to exclusively serving the disadvantaged, to becoming a comprehensive agency serving everyone and back again to becoming a placement service. Each of the last three images have had about three years to evolve. In each case the time was by some three to ten years too short for a complex organization to mature in a new configuration. Some argue that it really takes a generation for large, complex organizations to alter substantially. In any case it is apparent that the extent of the changes varied from state to state and even among offices in some states.

While a generation is obviously not available, nor even ten years, for basic policy decisions to be made, some period under nearly optimal conditions should be allowed to find out what the ES can become. We therefore recommend that an Operations Improvement project, to run from three to five years, be included in the overall agenda.

The project would have the following features:

1. Its purpose would be to test the limits of ES development in different labor markets. The markets would be selected from segments of a continuum, or from clusters of typologies, however the market descriptions emerge from the next stage of labor market analysis. The total number of labor markets selected would depend on the availability of funds and the number of different structures identified.

2. If the experimentation occurs after the cost/benefit and labor market policy studies, then the experiments should test a revised statement of Employment Service objectives in the varying local labor markets. If the experimentation occurs early in the total R&D effort, then the experiments should be directed toward developing and testing ES objectives in the individual markets. The results from the individual market experiments would be used in either case for subsequent reappraisal of the ES labor market role.

3. Part of the test would be to examine the ES potential in the federal-state system in meeting national ES objectives. Hence, within a general national evaluative framework, designed to test specific hypotheses, the project should place maximum responsibility and authority on the state agencies and their local offices. Unless the test were to examine what the ES could become under federalization, the project should not be allowed to become a developmental effort specified in detail from the national office. If little development occurs under a decentralized decision making philosophy, then that is an important finding.

4. Part of being a test of decentralized development under the federal-state system should nevertheless involve experimenting with delivery of technical assistance by the national office to the states. Reasonable role definitions could be developed which would keep technical assistance from becoming dominate. Part of the role definitions might relate to the kinds of information and decisions to be made at each level. The federal government, for example, does need to make general budget decisions and does need information on the overall operations of the ES. In terms of the project then it could and should identify the generalizations from site to site, and insure that lessons are shared.

The states and their local offices need specific information on the labor markets to set goals and on operations to design systems and allocate staff.

5. The cornerstone of the operational experiments would be detailed analysis of the local labor markets. These analyses would replicate the national study of hiring channels and job search patterns. Unlike the national study, however, the local labor market analyses would be designed to provide a series of measures to monitor the operations of the market and the evolving role of the ES.

6. An important element of the experiments would be to test new service configurations. These service designs would operate with possible alterations in all of the rules governing the ES, with the exception of anti-discrimination laws and other provisions which are explicitly agreed ahead of time to lie outside the purview of the projects.

As illustration of rules which clearly will need to be suspended for experimental purposes are those relating to the work test. A question to be addressed will be, for example, "under what conditions does the ES maximize its contribution to work test objectives while minimizing associated loses in other aspects of productivity."

7. For the experiments to have hope of reaching maturity (overcome losses in effectiveness due to change and learning), evaluative feedback will be needed. For this feedback to occur, some of the conventions of research and evaluations must be broken. Among these the key one is visualizing research and evaluation to be a product represented by big (and usually final) reports. Research and evaluation will need to be seen as information processes designed to enhance the rate and ultimate level of organizational development. Small group problem solving sessions, conferences, memorandums and short papers would have to be the mediums for communicating the results of the research and evaluation findings. A historian might be assigned the task of pulling together the final results as a contribution to the literature.

Counseling Study

Clarifying the role of the service activity called Employment Counseling illustrates many of the problems of the Employment Service. For example it raises the question, what is the mission of the ES? Is it broader than job placement? If broader than placement, what is this broader mission? Does it aid understanding to assert that the mission includes assisting job seekers to make better choices, changes or adjustments in their roles in the labor market as counseling is defined. We think not. The assertion opens an almost unlimited range of possibilities-helping all kinds of people, in all kinds of markets, with whatever problems they may have. As such then the assertion simply raises additional questions about who is to be served, how one would know whether the service is effective, and what level of support among limited resources the services ought to get.

On the very first question, the assertion has been made that the ES mission is broader than placement by including Employment Counseling, along with other employment assistance services, in the Manpower Administration's Fiscal Year 1975 Balanced Placement Formula. The assertion is supported, of course, by law which requires counseling for the handicapped and veterans and implies that counseling be available for others. The expectation of participation by the ES under the Comprehensive Employment and Training Act (CETA) also behooves the agency to have a counseling capability available. But the assertion of a mission broader than placement to be fulfilled in part by counseling raises the subsequent questions.

What is Employment Counseling and what does it imply for the role of the Employment Service? The most striking finding in our field work on this question is that most ES people are very uncertain. Uncertainty is perhaps greatest among the directors of field or line operations who are preeminent in determining state budget allocations. Some are not convinced that the ES should have the broader mission implied by counseling. More are quite unclear about what the service really is; some believe that it is often simply a general psychological service unrelated to the labor market. Few are confident of knowing its impact on the placement process. None know the consequences of a broadly defined Employment Counseling role in the labor market.

In the face of this intense uncertainty and tight budgets, most states have adopted a very conservative approach to counseling and many have cut it sharply. In most staes counseling has been narrowed in concept to be tightly construed as an input to placement.

Even with a general narrowing of the role of counseling, however, we still encountered a broad range of counseling activities

continuing. Each conception of counseling implied a somewhat different conception of the mission of the ES. We saw counseling in a Human Resources Development team with the counselor expected to deal with psychological and behavioral problems inhibiting employment. In another area counseling was being provided through group workshops to assist women who were entering or reentering the work force. Yet another program involved a slide presentation to acquaint women with jobs they might get which had been traditionally reserved for men. In the same state counselors were holding screening interviews with all prospective skill center trainees as part of an effort to improve the retention and placement rates in the skill centers.

If all of the counseling efforts are viewed together, they range from simply facilitating agency placement to helping job seekers gain greater satisfaction in their work, whether measured by increased income or other personal criteria. Counseling might even lead some people not to enter or to remain in the labor force after gaining a better understanding of their own interests and labor market conditions.

We would assign the study a high priority. Employment Counseling involves a substantial portion of the ES Budget (the 1974-75 BPF authorized 7 percent of state ES expenditure for counseling) is required by law and constitutes a sufficiently complicated policy problem for state and national administrators that seven states we know of have conducted some kind of study on their own. For these reasons we would assign a high priority to a national policy study of Employment Counseling.

The results of the state studies are well summarized in a Wisconsin Employment Security Division Memorandum. The memorandum summarized the results from a study of counseled and non-counseled applicants in Wisconsin local offices and related studies in Missouri, Iowa and Utah. These results, quoted below, generally hold for the results obtained in other states.*

1. Counseled applicants have significantly more employment barriers than noncounseled applicants.

2. Regardless of that fact, counseled applicants are placed at nearly twice the rate of noncounseled applicants.

3. As the number of counseling interviews increases, so does the placement rate.

4. This relationship generally holds despite the characteristics of the clients counseled.

* E. M. Kehl, Assistant Administrator, Employment Security Division, Wisconsin Department of Industry, Labor and Human Relations, letter ESE #133, to all District Manpower Directors, dated October 3, 1973.

The memorandum went on to list three points about the Wisconsin study which aptly summarize the limits of all of the research to date we have encountered on the issue.

1. This was a descriptive study; no attempt was made to control any of the variables which may have influenced the results such as age, sex, labor market conditions, UC status, etc.

2. This study indicates nothing about the "cause and effect" relationship of counseling and placement. It does not say that counseling causes placement, only that there is a relationship between them.

3. Accurate cost-benefit analyses cannot be made at this point because of the lack of data. Therefore, cost comparisons between counseled and noncounseled applicants would only be speculations.

We would add that none of the studies we have encountered measured the broader labor market consequences of counseling. The Texas Employment Commission reported that it had a study underway using an experimental design to test the value of counseling in its Job Corps Program. Additionally, we were given the design for a study developed by an academic researcher for use in the Ohio Bureau of Employment Security, but not carried out, which would have studied a wide range of non-economic, as well as economic, consequences of counseling.* But a general evaluation of employment counseling remains to be done.

We make the following recommendations for studying counseling.

1. The study should be conducted using an experimental design. This means that job seekers are selected for service using a randomizing procedure and the subsequent labor market experience is measured for both those who were served and not served. To minimize the effects due to the attention of being studied (the "Hawthorne effect"), substantially larger groups should be served than will actually be studied with the study individuals (both experimental and control) identified as random subsamples of those served and not served.

2. The study should test two or three different formulations of the employment counseling role. One of these formulations or models should be of counseling which involves service for a wide range of job seeker problems and which considers any outcome as satisfactory which may be beneficial to the job

*Donald G. Chenoweth "An Exploratory Study of Counseling Effectiveness in the Public Employment Service: A Proposal," Ohio Bureau of Employment Services, August 1973.

seekers whether the service outcome is economic or non-economic in character. Another counseling model which should be studied is one in which service would be restricted to specific employment problems and the intended outcome would be placement by the ES. There may need to be one or more other formulations of the counseling role to get a good test of the major policy choices available to the ES. If the two suggested were the only ones studied however, they would at least test the two most prevalent hypotheses about the ES.

(a) That the ES best serves the public and most enhances the functioning of the labor market through a broad information and guidance service.

(b) That the best service the ES can offer to the public is a placement.

3. The services should be offered in distinctly different socio-economic settings for employment services. Unless some better indicator of these locations is developed in the meantime, the sites should be selected using the results of what we anticipate to be an early round of analysis of labor market variables affecting local office performance. Sites should be selected where placement expectations are low and high (and perhaps average).

4. Analyzing cause and effect relationships in the counseling process would be of utmost importance. The effort envisioned by this study would be wasted if the only evaluative statements which could be made were that "Employment Counseling did (or did not) help the job seekers gain employment." To be worth the effort, the study must address the following series of evaluative questions:

Who was, and also was not, provided the service; what were their needs; what kind of service was provided; with what final consequences? In research terms, a carefully designed multivariate evaluative model must be used.*

To gain a full understanding of the causal relations involved in counseling, at least a portion of the Employment Counselors should be interviewed to gain their perceptions of the job seekers problems, the services provided and the intended outcomes of the counseling.

5. In order to study at least two models of Employment Counseling, to be offered in at least two different groups of

*See Edward A. Suchman, Evaluative Research, Russell Sage Foundation, New York, 1967 PP. 83-88 and 171-175 for discussion of the kind of multi-variate models required.

labor markets, while permitting multi-variate analysis, large samples of job seekers would have to be studied (perhaps 2,500 each in the experimental and control groups).

6. Depending upon the number of offices involved, the service delivery would have to occur over a period of six months to a year with follow-up occurring in the ensuing six months.

7. In order for the study to be useful, we believe that it ought to be designed by outside consultants, with the advice of a state-federal task force. From the state agencies, the task force should include at least one Employment Counselor, Supervising Employment Counselor, state director of ES or local office operations and a director of research and statistics. Other state staff with special awareness of the policy issues surrounding counseling could be added. A major purpose of having the task force would be to bridge the gap which exists in most states and within the MA between those who are dedicated to counseling and those who must decide on the budget. The task force would also help to bridge the gap which also exists between the researchers and the other two groups.

A primary responsibility of the task force would be to specify the models to be tested. Because there is much variation in the counseling role, it will be important to have a clear protocol which indicates the conditions under which the participating counselors and offices will operate.

In designing the study, the task force should be involved for a period of perhaps four to six months with three or four weeks of intensive work. After the data collection and preliminary analysis is completed, the task force should be reassembled for an intensive exploration of the policy implications of the results.

8. When the evaluation design is developed, the major theories of career choice should be reviewed to identify theoretical constructs which may clarify the needs and behavior of the counselees and the roles of the counselors*.

*For an analysis of the major theories of career choice, see Samuel H. Osipow, Theories of Career Development (New York, Appleton-Century-Crofts, 1973).

Labor Market Information Delivery Experiment

Under the impetus of the national Comprehensive Office Model (COMO) experiment in 1969-72, much interest and activity was generated in providing labor market information to job seekers to help them find their own jobs. The activity diminished when the ES policy reverted to a more single-minded concentration on job placements. But the idea that delivery of "self-help" labor market information should be a function of the ES remains alive and an investment each year probably exceeding a couple of million dollars continues. About $500,000 of this investment is directed to the Job Information Delivery System, (JIDS) program which operates in ten cities. The balance is spent through state Research and Statistics units developing occupational guides and other materials and in direct local office services which under the 1974-75 BPF could involve up to five percent of the budget.

As with other ES services, which date back, as ideas, almost to the origins of the agency, no one has demonstrated the value of self-help labor market information to the public. Hence policy makers have no objective way to decide whether the service should be offered by the ES, much less what relative investment it should receive in comparison with other budget items.

Our judgment is that a study of the effectiveness of delivery of labor market information (LMI) should be part of the overall ES R&D strategy. There are findings from prior studies which make the investment credible. And, there are people in the Manpower Administration and the state agencies who have skills and interest in the subject. Moreover, the current investment, if effectively focused, could provide the basis for the policy study.

The research to date has established the following general points.

1. The public will accept and use supplemental labor market information.*

2. The information will increase the level of job search activity.**

*Curtis C. Aller, et. al., Evaluation of the Hayward Manpower Delivery System Concept, (Berkeley, CA., Dec. 1, 1972)pp 82-86

**David W. Stevens, Assisted Job Search for the Insured Unemployed, (Kalamazoo, Michigan: W. E. Upjohn Institute for Employment Research, Jan, 1974) p. 68.

3. In general the information has not been shown to produce better job outcomes, although black job seekers in two studies were more successful in finding jobs than their control group counterparts.*

4. Job seekers who find job leads in their own job search will share that information with other job seekers through the public employment office and the leads thus provided will result in employment for people who would not otherwise be served by the ES**

With these findings as a background, we make the following recommendations:

1. The MA should launch an experimental policy study to test the effectiveness of delivering LMI in local offices.

2. The present JIDS program should become the base for the experimental effort. JIDS would shift from being an operating program to a research and development effort which would use experimental designs to test delivery techniques and forms of information. The current resources in the JIDS program should be concentrated in a smaller number of offices (perhaps 3 to 5) in order to create a substantial experimental activity in those sites.

3. The Manpower Administration and the State agencies in which the projects are located should make clear provisions to protect the project offices from budget cuts as a result of any losses which may occur in placement productivity. We do not believe that delivering LMI will necessarily impinge on placement output, but staff in the MA and in one of the states we visited have said that state administrators and managers have been reluctant to participate in LMI delivery activities which involve giving out specific employer information because of a fear that placements will be lost.

4. The experimental effort should last three years and perhaps more to permit the information tools to be developed and the experimental activities to reach maturity. In our study of the Hayward Manpower Delivery System Concept, it was clear

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* Ibid.

** James M. Neto and Marged S. Sugarman, A Systematized Approach to Using Jobseeker Information as a Means of Maintaining a Localized Job Search Information Service (State of California Employment Development Department, San Francisco, CA., July 1974)

that the effort, which had involved over a year of development, had not yet reached maturity with developed staff skills and refined service tools before policy support was lost and the experiment began to decline. In order to reach maturity, the projects should receive at least two rounds of evaluative feedback which permit changes in techniques and information to improve performance. In order to receive this kind of evaluative feedback an evaluation model and procedures must be developed right along with the delivery system.

5. The design of the experimental projects should be the primary responsibility of the states and the local offices which wish to participate. The Manpower Administration should provide coordination and overall evaluation. The project should have freedom to offer any service configuration, completely unhindered by the established service concepts in the ES Manuals or the ESAR System.

6. Although the projects may vary in design and operation, they should all test some common hypotheses. Additional hypotheses related to their unique qualities could also be tested. The common hypotheses would be:

(a) The provision of the LMI will reduce the period of unemployment and increase earnings and job tenure.

(b) The provision of LMI will result in improved non-economic employment outcomes such as greater job satisfaction.

(c) The provision of LMI will produce better outcomes for some people which do not directly involve employment. These outcomes may involve leaving the labor market or returning to school.

(d) The provision of LNI will permit the office to serve client groups who would not otherwise be served.

7. The provision of LMI may have indirect results which should be included in evaluation, but which may not be amenable to testing through experimental design.

(a) The provision of LMI may enhance the general attractiveness of the ES offices to job seekers by offering a broader service. Here the LMI delivery may enhance the placement process.

(b) The provision of LMI may enhance the Employment Service's contribution to the schools and to the general field of career guidance.

8. Evaluation of the projects should begin with model building early in the project. As previously suggested, evaluation research should provide two rounds of performance feedback

prior to collecting final performance measures. In order to provide the feedback, the evaluation model would have to consider the specific information provided, the uses of the information and especially the reasons why it is not used by some job seekers.

Work Test Study

The most striking finding to emerge in the embryonic studies of Employment Service performance is the finding by Shelley and Company that placements drop sharply with increases in the proportion of job applicants who are UI claimants. Specifically, Shelley and Company found that individuals placed by the ES per man year drop by one for every one percent increase in the percent of UI claimants among job applicants.*

The Shelley and Company finding relates to a finding in Wisconsin that the more applicants who must be processed per unit of staff time, the lower the placement rate.** The two findings imply that the greater the proportion of UI claimants required to apply for work at the ES, the greater the ES applicant flow, hence less effective application taking and the lower the placement rate. The alternative formulation is that the more UI claimants who apply, the more staff time devoted to application taking, hence less staff time available for other functions such as employer relations or file search, and the lower the placement rate.

The implications of the two findings are compounded by the results of three research projects, which included UI claimants, reported by Stevens.*** The central conclusion of Stevens' analysis "is that, for the three groups studied (italics in original) the ES was not influential in facilitating their return to work." Stevens added that it would be a gross distortion to infer "that no claimant should be sent to the ES." Rather, the major study in New York suggests "that a rather simple screening procedure can identify claimants who are likely to benefit from specific services. It is the mechanical blanket referral of virtually all claimants to an ES office that is patently undesirable.****

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* Memorandum from Chuck Fairchild, E. R. Shelley and Company, Inc. to Abe Stahler, U.S. Employment Service Administration. January 10, 1975, p. 2.

**See Andrew H. Van de Ven, Mary Joan Treis, and Dennis C. Emmitt "Performance Inter-relationships in District Employment Security offices in 1973 Organization Assessment," Wisconsin Department of Industry, Labor and Human Relations, Division of Employment Security, Madison, Wisconsin, July, 1974.

***David W. Stevens, Assisted Job Search for the Insured Unemployed, (Kalamazoo, Michigan: W. E. Upjohn Institute for Employment Research, January 1974)

****Ibid., pp. 97.

The general conclusions are that excessive referral of UI claimants reduces ES performance and does not help reduce the duration of claimant's unemployment. What about the referral and registration of food stamp and welfare recipients? We guess that much the same results would be found when these groups are studied.

The work test--the mandatory registration of social program beneficiaries at the ES--thus emerges as a fundamental policy issue. It will be a simple task as part of initial operations study to analyze the impact of welfare, food stamps, and UI registrations on ES productivity from office to office. But broader and more complicated research is going to be needed to measure the effects of employment services on the level of welfare and food stamps payments and on the employment of recipients.

In general outline, the needed research involves controlled experiments in which some welfare and food stamp recipients are sent to the ES for registration, and others are required to look for work on their own, leaving them free to decide whether to use the ES. We are not aware of any research of this kind outside of the Unemployment Insurance program. The California Employment Development Department is considering the use of an experimental design to evaluate the Work Incentive (WIN) program, according to a fall 1974 report to the California Legislature.* In addition to evaluating the WIN program, such a design could begin examining the effectiveness of the work test for welfare and food stamp recipients. The design would need to be implemented with an element exempting a control group of recipients from ES registration.

Enforcement Study

The U. S. Employment Service last year updated a 37 page listing of the laws, Executive Orders and interagency agreements placing special enforcement or administrative duties on the ES The myriad responsibilities appear to distort and complicate the operations of the ES. Just what the effects are is quite hard to estimate.

We suggest that a fairly simple descriptive study with visits to about ten randomly selected states, could give a good idea of the consequences of the enforcement responsibilities and permit some reasoned judgment about which ought to continue as

* Leslie Young and A. R. Little, Cost-Benefit for Welfare Related Manpower Programs, (Sacramento, California Employment Development Department, September 1974)

ES responsibilities, and which ought to be dropped or shifted to other agencies. The study should look at the functions actually being carried out, the patterns of staff resources involved, and the general effectiveness of the activities.

Some of the ES enforcement responsibilities, such as certification of migrant housing, pose very complicated issues which might require additional specific study.

Intensive Services Study

Under the ES equity objective, cost/benefit analysis must consider the degree to which the disadvantaged are assisted by the ES. Because cost/benefit analysis, at least in its initial estimates, will rely on national data sources and small samples of local office data, it may not be able to produce adequate information on the policy issues concerning service to the disadvantaged. This is particularly likely unless special attention is given to the issue. We, therefore, set the issue out for special consideration, either as a separate study, or as a component of a more general effort.

There are two evaluative questions involved:

1. Are the disadvantaged who come to the ES better off than those who do not come? Cost/benefit analysis could be expected to provide some indications on this evaluative question for the ES as a whole.

2. Does one type of employment service do more for the disadvantaged than another? This question is related to the general policy question of how much the ES can potentially do for the disadvantaged.

On the second question, cost/benefit analysis will not be helpful unless distinctly different service configurations are studied. Our general impression from field work is that special services for the disadvantaged in the ES have been largely abandoned, leaving few study opportunities. The Milwaukee, Wisconsin, Main Office was the only clear exception, with four employability teams continuing to operate. California is continuing its Job Agent Program, with about half of its original staff, in a generally demoralized condition.

Two avenues of research on this policy question seem possible. If there are other offices like Milwaukee which are continuing to offer a substantial employability development service (staffed by people who have three to five years of continuous experience in the activity), then it should be possible to get estimates of the value of the service by studying these offices in comparison with conventional placement offices.

If other offices providing employability development cannot be found, the Milwaukee service might still usefully be studied, but more general estimates will require developing services elsewhere, perhaps using staff who were previously involved. It may also be that the Colorado agency offers a study opportunity as a national experiment.

However the question is approached, we think it is important to get a test of the hypotheses involved in the issue.

One hypothesis is that a placement is the best service which can be provided to the disadvantaged and that the most placements of the disadvantaged will be provided in a conventional placement system. By inference this hypothesis implies that an average placement for the disadvantaged has a positive cost/benefit ratio. This hypothesis seems to us to be the dominant one guiding current ES policy.

The counter hypothesis is that the disadvantaged will be best served where a special service is focused on finding them employment, whether through orders coming to the office or by special job development efforts. If we have fairly phrased it, this is the hypothesis advocated in Wisconsin. There was no disagreement in that state with the idea that a generally strong employment service is advantageous in serving the disadvantaged, as well as other job seekers, but rather that without staff specifically assigned to serve them, the disadvantaged will receive only the worst jobs, if they receive any jobs at all. The meaning of the statistics is questioned which show the disadvantaged getting more placements since the shift back toward a placement focus.

CHAPTER VI

A STRATEGY FOR RESEARCH AND DEVELOPMENT

Research and Development Options

The MA must begin giving direction to ES research activities. Its research strategy should have the goals of developing a clear statement of ES objectives and an operating model of an effectively performing system. Following are four options for achieving these goals. The accompanying charts indicate the estimated costs and time phasing over the next years associated with each of these options.

Option I presents a research and development strategy in which policy and administrative needs are integrated in a balanced plan. Both strategy goals would be achieved within three years. Top priority is given to cost/benefit and labor market analysis. It is assumed that current efforts on conceptualizing of costs and benefits of the ES will either provide, or will be augmented to provide, the basis for data gathering on costs and benefits to begin early in fiscal 1976.

Early steps also should be undertaken to develop a hiring channel study, which would provide data on the dimensions and costs of alternative ways in which the labor exchange function is carried on. This data would be an important input to the third phase of the cost/benefit analysis.

A feasibility study should be undertaken at once on improving the ES data system. An improved data system would greatly facilitate the cost/benefit data collection phase. Priority should also be given to the task of analyzing both labor market and internal variables affecting ES performance.

Subsequently, policy oriented studies of counseling, the work test and other enforcement-type functions could be undertaken. Experimental projects in new models of ES operations could begin in fiscal 1977 based upon a revised statement of ES objectives and clearer conceptions of the labor market needs and factors affecting performance. No assessment of the work test can meaningfully be carried out with unemployment at levels as high as they are currently, hence it seems unrealistic to plan this activity before mid 1976 at the earliest.

Option II presents a lower cost strategy aimed at gathering policy oriented data only. No experimentation with ES operating models is envisioned. Heavy reliance would be placed upon the cost/benefit and labor market studies to answer the basic policy question. Hence, in this option these studies are funded at a

slightly higher level and have longer performance periods. The policy studies of counseling, LMI delivery, enforcement and the work test are retained but phased into fiscal 1977.

Option III retains the policy focus of Option I by putting top priority on cost/benefit and labor market analysis. It, however, abandons all efforts at performance improvement based upon current operating models and emphasizes instead, experimentation with new operational models. This has the advantage of allowing more development time for these models. It has the advantage, as does Option II, of providing more time for cost/benefit and labor market analysis. Since the resulting data will not be integrated into the experimental models for at least a year there will be some loss of efficiency in the experimentation.

Option IV is a low cost option that retains the policy focus of Option II but also attempts to deal with the current administrative concerns of the MA such as studies of the factors affecting performance and of promising suggestions for improving the management system. The cost saving occurs in the elimination of the experimentation with new operational models.

Managing the Research and Development Effort

Two major problems occur to us in terms of managing the ES research and development effort. The first problem is how to keep the effort going long enough to produce the substantial body of information which is required. The problem might be phrased as staff in the Office of Management and Budget (OMB) stated it to us: Why did it take 41 years to develop a coherent research and development program for the ES? Or, as a participant in the Interstate Conference of Employment Security Agencies (ICESA) meeting to discuss ES research and development asked: Why is there any reason to believe that this program (R&D) will carry through any more than the many other programs of the last decade and a half, many of which have been dropped about the time they were just coming to maturity?

OMB knows, of course, that their pressure through the budget has provided much of the impetus for developing a research and development effort. They and many others, including many thoughtful people in the Manpower Administration, know that there has never been a sustained, self-generated research and development effort and that there probably would not come to be a sustained effort without the outside pressure. The cause lies in the complex past of the ES, although part of it certainly stems from the exceedingly balkanized bureaucratic structure of the Manpower Administration. Placing blame is unnecessary and destructive, partly because it simply leads to what Dr. Eric Berne might have called the game of, "Whose bureaucracy is

worst," which simply involves each unit projecting fault on the others. The important point is that some mechanism must be found to cut through the barriers to action. It may develop that the only truly effective step would be to break the ES free as a complete entity with full capability and responsibility for its own future. We are not suggesting that ES needs to be a formally independent national corporation, but at a lessor state of independent structure in which it could nevertheless be held completely accountable for its performance.

At a much more immediate and lower level of organizational change it seems to us that some kind of a sustained, multi-unit, internal staff committment is essential. Many contract research groups are inevitably going to be used and the quality and effectiveness of their work will depend greatly upon the time and knowledge which MA staff can provide in guiding and integrating the many efforts.

The second problem is how to make the R&D effort into a true learning process which produces a rich and growing body of knowledge. The time and quality of the internal MA staffing will greatly determine whether substantial learning occurs. Several other changes are needed, however. One is that each research activity must come to be seen as part of an information process. Now research and evaluation are seen as producing products, namely reports. And the usual response to a question about what is being learned in a particular study is the answer: we will just have to wait and see what is produced in their report.

One way to help shift research and development from the discrete product focus to an information development focus would be to establish a mechanism for a continuing dialogue about the work underway. Staff of the USES seemed to have been asking for such a mechanism when they said that they seldom had a chance to meet with researchers so as to explore the consequences and subtleties of their studies. Often they find that the researcher did not understand their needs, or that the research had implications for the operators' needs which the research did not make clear.

To develop this dialogue about ES research and development we would recommend the establishment of a long term advisory group associated either with the ES or perhaps as a subcommittee of the National Commission for Manpower Policy. The advisory group should have the following functions and characteristics:

1. Its membership should include labor economists, a specialist in labor market data systems, state ES policy makers, and perhaps some user representatives.

2. Members should be appointed for at least two years.

3. The members should be working participants in that they would agree to devote two to three months each year to the effort. The obvious purpose of this requirement is to make the group a working resource and hence different from a conventional advisory body.

4. The advisory group would serve as a forum where the researchers under contract would be expected to come to make presentations on their work at several points in their studies. Individual project budgets should include allowance for such presentations, perhaps including short papers to clarify study issues. MA staff and state staff would also participate in the forums to learn from the researchers, to contribute knowledge and insights and to ask for exploration of important issues.

5. The advisory group would have a budget of its own, sufficient to permit the members to write short papers analyzing and exploring the issues as they emerged. Some of the most important of these papers might translate complex research considerations into lay language which operators and policy makers could understand and use. Other important papers might synthesize important research results for exposure to other audiences such as the readers of scholarly journals.

6. A very important function of the advisory group would be to explore the interplay of results for each of the separate studies. Draft data collection instruments could be reviewed with this total focus in mind, thereby reducing unnecessary duplication of data gathering. The review would also provide a last check on whether the instruments would gather the data needed to test the hypotheses in the studies.

7. The advisory group could itself have subcommittees to include additional members with specific subject matter specialties. Such a subcommittee might be the one suggested for the study of counseling, another for labor market information delivery and a third for the highly important general area of labor market research.

1. Integrated Policy Research and Administrative Improvement Option

Study Title	7/75	1/76	7/76	1/77	7/77	1/78	7/78
Cost Benefit Analysis	75,000	300,000	75,000				
Labor Market Research	250,000	500,000	100,000				
Performance Studies	100,000	200,000					
Management Studies		75,000		150,000			
A New ES Data System	75,000						
Operational Experiments				1,500,000		2,000,000	
Counseling Study		150,000		150,000			
LMI Delivery Experiment		100,000		100,000		100,000	
Work Test Study						150,000	
Enforcement Study			50,000				
Intensive Services Study		75,000					
Estimated Annual Cost	530,000	1,625,000		1,900,000		2,250,000	

2. Policy-Evaluative Option

Study Title	7/75	1/76	7/76	1/77	7/77	1/78	7/78
Cost Benefit Analysis	75,000	350,000		75,000			
Labor Market Research		750,000					
Performance Studies							
Management Studies							
A New ES Data System							
Operational Experiments							
Counseling Study				150,000	150,000		
LMI Delivery Experiment				150,000	150,000		
Work Test Study					150,000		
Enforcement Study				50,000			
Intensive Services Study		100,000					
Estimated Annual Cost	75,000	1,200,000		425,000	450,000		

3. Policy-Experimental Option

Study Title	7/75	1/76	7/76	1/77	7/77	1/78	7/78
Cost Benefit Analysis	75,000	300,000	75,000				
Labor Market Research	250,000	500,000					
Performance Studies	250,000						
Management Studies							
A New ES Data System							
Operational Experiments		1,500,000	1,500,000		1,000,000		
Counseling Study							
LMI Delivery Experiment							
Work Test Study							
Enforcement Study							
Intensive Services Study							
Estimated Annual Cost	475,000	2,300,000	1,575,000		1,000,000		

4. Low Cost Policy Administrative Improvement Option

Study Title	7/75	1/76	7/76	1/77	7/77	1/78	7/78
Cost Benefit Analysis	75,000	350,000		75,000			
Labor Market Research	.						
Performance Studies	100,000	200,000					
Management Studies	.	75,000		150,000			
A New ES Data System	.	75,000					
Operational Experiments	.						
Counseling Study	.	150,000		150,000			
LMI Delivery Experiment	.						
Work Test Study	.					150,000	
Enforcement Study	.			50,000			
Intensive Services Study	.	75,000					
Estimated Annual Cost	175,000	925,000		425,000		150,000	

APPENDIX A. FIELD VISIT SITES

States and Local Offices.

- California State Office, Sacramento
  - Culver City EDD Office
  - Ventura County EDD Office, Oxnard
- Colorado State Office, Denver
  - Boulder Local Office
  - Colorado Springs Local Office
  - Ft. Collins Local Office
  - Pueblo Area and Local Offices
- Connecticut State Office, Wethersfield
  - Hartford Main St. Office
  - Hartford Washington St. Office
- Mississippi State Office, Jackson
  - Brookhaven ES Office
  - Jackson ES Office
  - Mendenhall Branch ES Office
  - Meridian ES Office
  - Newton Branch ES Office
- Ohio State Office, Columbus
  - Columbus Metropolitan Office
  - Columbus Peripheral Office
  - Toledo Metropolitan Office
- Texas State Office
  - Dallas Local Office
  - San Antonio Local Office
  - Temple Local Office
- Wisconsin State Office, Madison
  - Au Clair Local Office
  - Milwaukee Local Office

Regional Offices

- Boston, Ma
- Chicago, Ill
- Atlanta, Ga
- Denver, Co
- San Francisco, Ca

APPENDIX B. ES R&D FIELD WORK PLAN

I. Method of Approach

We assume that the function of an R&D program is to help make decisions about the future of the Employment Service. Further, we assume that there are some choices about the future which can be represented by different models of the agency in terms of mission, services and management practices. The visions of the future lie partly in the present since we assume that there are identifiably different models of the agency now actually in operation.

One purpose of the field work will be to test the hypothesis that there are different operating models and to construct descriptions of these models which will permit analysis of important differences, assumptions underlying the models and questions which should be studied.

The preliminary models which we considered in selecting states were:

1. Placement-efficiency oriented.
2. Service to Disadvantaged.
3. Management by objectives.
4. Labor market information.

Other objectives of the field work are:

(1) To gain state and regional office perceptions of problems, needs and future directions of the ES;
(2) To gain a better understanding of the experience of the ES with R&D and behavior patterns of the ES which may facilitate or impede a national R&D effort. Of particular interest to the project are state agency R&D efforts regardless of whether they are formally considered research activities.
(3) To develop an information base about the actual operations of the ES in diverse settings so as to be able to communicate this reality to ORD and others who want to better guide policy.

II. Regional Office Visits

A. Objectives of Regional Office Visits

1. To gain an understanding of the functions of the regional office within the current federal-state ES system;

2. To gain a perspective on the site visit states, the problems and special features, from the view point of the regional office.

B. Procedures in Regional Office

Interviews will be conducted with the Assistant Regional Administrator for Manpower, or his designee, the staff persons responsible for fiscal control, R&A, and the DARMA for the states to be visited.

C. Regional Office Questions

(in addition to those being asked of state offices)

1. What is the organizational structure of the regional offices? Titles, functions, lines of command?

2. How is allocation of funds to state done?

3. How is monitoring and evaluation to state performance carried out?

4. Are there uniquely regional functions that are performed? Political, intergovernmental, planning?

5. What are the differences and similarities in states in the region?

6. Are there things you would try to test out in an experimental office? Are there questions you consider researchable, if you had the resources?

III. State and District Office Visits

A. Objectives of State and District Office Visits

1. To gain an understanding of the workings of the state ES system in sufficient detail that between state comparisons can be made.

2. To identify where and how decisions are made, with respect to program objective allocation of resources, and response to emerging problems and issues.

B. Procedures in State and District Offices

In the state office, the director, the heads of the principal subunits (except UI) the third level assigned to special functions like placement, counseling, employer services and so forth, and the R&S unit, and special analytical units should be interviewed. The state CETA planner, whether in or out or the ES and an other state officials (legislative, administrative) who knows about

ES.*

In the district office, where these exist, interview the district or area director and his key supervisory staff. Critical data flows come to this level. Two district offices should be visited.

C. State and District Office Questions

1. What are the problems of the ES? This should be asked of the director and his principal assistants.

2. What are the constraints on the organization? (Legal, budgetary and labor market, especially.) These should emerge as slightly different than a list of problems in #1.

3. What are the unknowns about the role of the ES in the labor market? The converse is important: How much is known about the agency's role in the particular labor market? This is one of the major agency constraints.

4. What are the marginal choices being made on the budgets? This should tell us how the agency is dealing with its constraints.

5. How does the state agency view the pressures and debates in D.C.? Why is the ES budget being cut? What are the questions being asked? How aware is the state of the questions being asked by OMB?

6. What kind of information is being used in making the marginal choices above? What are the sources? How is the agency organized to provide information to help in making marginal choices? Does R&S have anything to do with this? Has research funded by the national offices in any way contributed to helping the state make its choices? What kind of information would help them in their decision making?

7. What are the new programs? How and why and what information was used in selecting them? Implicit here is a definition of a new program as not meaning a mandated program like hire veterans, but programs of an R&D nature designed to improve agency performance, to

* If there are active community, university, business or almost any other kind of group which has taken an interest in the ES, these groups should be contacted.

test new or modified roles in the labor market.

8. How can performance be improved? This is a validity check against problem statements, program actions, uses of information. Is R&D seen in any way as contributing to these?

9. What are the future directions open to the agency? What needs to be known to justify moving in the indicated directions?

10. What do research and evaluation mean in the agency? What is the extent and nature of research and evaluative activities? If research and evaluation are used in any sense which is compatible with our project, what research projects would they like to see funded?

11. What questions are being asked of the agency by its own legislature, budget bureau, governor, employer groups, and client groups? What are the pressures on the agency in its own state?

12. What do they think of research funded up to date? Are they familiar with any of these studies?

13. What has been the impact of CETA? Is the ES involved? Is it doing the state level planning - if not, why was this assignment given to someone else? What is the ES relationship with local government - is it getting constracts, what kind of information is it providing?

14. Determine the present system of objectives for the ES. What are the sources of these objectives? If some are at variance with national policy, how does the state justify these objectives?

15. Management. What is the structure of decision making between the state office and local offices? For supervision? What kind of a management philosophy does the state (those at each level) articulate? Is there behavior consistent with the stated philosophy? Are there different philosophies either stated or used at different levels of the organization? In particular, does there seem to be some spirit of risk taking or does there seem to be a good deal of fear of taking initiative?

16. How is the state responding to the current problems: minority demands, high unemployment, bad employer image, budget cuts and pressures to demonstrate productivity and improve productivity?

17. Get ESARS Table 90 for June 1974 for the state and each local office to be visited.

IV. Local Office Visits

A. Objectives of Local Office Visits

1. To gain an understanding of various models of ES operations in diverse states and labor markets. The approach here is to view the system in action, in its entirety, and to develop a picture of operations, based primarily on observations of actual flows of persons and information through the system rather than on manuals and other formal documentations of procedures.

2. To gain an understanding of selected special problems confronting the ES and new or innovative service and management technologies.

B. Selection of Offices

States have been chosen for economic, political, and geographic diversity, as well as for differences in management style, service mix and technology. Choice of offices within states will be made in consultation with state office staff. It is assumed that state office staff will tend to recommend exemplary offices. Therefore it is important to select at least two offices which are agreed to be contrasts. Secondly, if more than one office serves the labor market served by a visit office, other offices in that labor market should also be visited. Following is a set of questions to which answers should be obtained in the course of the visit.

C. Local Office Visit Procedures

Interviews will be conducted with the manager, a person taking orders, person at intake, employer visitors, counselors, placement interviewers, and others as appropriate. These interviews will be unstructured and open ended, the purpose being to obtain an understanding of processes and problems. It is likely that many of the answers will emerge from brief encounters with staff while observing. Copies of the Plan of Service, labor market bulletins, and ESAR reports should be obtained and reviewed.

Additionally, information outside the office should be from the local chamber of commerce or other employer organizations and from the CETA staff or client organizations.

D. Management

1. What are the marginal choices being made on budgets?

Particularly, how are they dealing with currently budgetry pressures?

2. What are the problems and constraints on the organization? (Legal, budgetary and labor market, especially.)

3. What are the implications and consequences of required registrations such as UI, food stamp, employables?

4. What sorts are informal (i.e. under the table) responses are being made to the pressures they perceive?

5. What kinds of information are being used in making marginal choices?

6. What kind of "business" do they think they are in? Especially, do they think services are effective or beneficial?

7. What kinds of information (reports) do they require of staff? What is required of them?

8. If they had additional resources, how would they use them?

E. Applicant Flow

1. What is the physical appearance of the office as seen by the entering applicant? Has an effort been made to make the office pleasant and hospitable?

2. What is the process by which the applicant enters the system? A counter, window, information desk?

3. How is the applicant directed into the system. By signs, pamphlets, greeters? Are they bilingual?

4. Which applicants fill out complete work applications, which partial and which none? What is definition of partial?

5. If registration policy differs for various types of applicant, what, specifically, is basis for differences? (Get documentation here, e.g. if "demand" occupations, get list of demand occupations.)

6. What are applicants told, if there is no available openings? What other services are offered?

7. When if file search done?

8. When are files purged?

9. Describe file structure.

F. Order Flow

1. What is source of orders? Job bank, COT, placement interviewers?

2. What information is given to employers when orders are taken?

3. What are the various possible sequences of steps after the order is taken? Referral to VER, file search, to interviewers. How much time elapses between steps? If there are multiple paths, determine characteristics of orders in each path, and numbers of each.

4. Are orders put on public view? All? If not, all, which?

5. How many persons are referred per opening? If this varies, on what basis is it varied?

6. How often is the employer contacted after the order is taken? For what purposes?

7. How is the order verified?

8. What feedback is obtained from employers?

G. Clientele

1. Who are the clientele of the office? (The interviewers perception vs. the office staff vs. ESARS.)

2. What are needs of the clientele? (Placement vs. training, counseling, etc.)

3. What obstacles do they face?

4. What is the reputation of the office among clientele?

H. Employers

1. Is there a process by which employers who have not placed an order with the ES are identified and contacted to expand the penetration of the service in the labor market?

2. Are employers visited by ES staff? By whom, how frequently, to what end?

3. How familiar are staff with the demand side of the labor market? Are they familiar with a variety of employers, their occupational requirements, outlook?

4. Why do staff think non-users do not use the ES?

5. Is there any actively used file of employer records?

I. Community

1. What are the major community problems and issues?

2. Through what channels are community problems and needs identified?

3. What is the image of the ES on the part of the community organizations?

4. What has been the local CETA impact? What is the local involvement?

J. Alternative Labor Market Channels

1. What alternative mechanisms exit for performing labor exchange functions in the community? Private agencies, union hiring halls, CETA agency, urban league? (Staff opinions, opinions of outsiders, check phone books, chamber of commerce.)

2. How does ES see itself fitting into this picture? Competitive - cooperative?

K. Resource Allocation

1. Look at a manning table; what is the pattern of resource allocation? What are the implied (or stated) objectives as reflected in the pattern?